

**Commonwealth of Massachusetts**

**FY2012 Closing / FY2013 Opening  
Instructions**

**Issued By:**

**Office of the Comptroller**

**May 1, 2012**

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## Section One

### Introduction and General Information

These instructions highlight the most important aspects of the Closing and Opening of MMARS. To find a specific subject, use the “Find” feature (Control Key + “F”) in the web browser to search for the topic. Please use these instructions along with the key date matrix and information given at the Closing and Opening workshops to assist you with Closing FY2012 and Opening FY2013. Please review eUpdates and Close/Open updates posted under the “Guidance for Agencies” heading on the [Comptroller Web Portal](#).

#### Annual Close/Open Meetings

Chief Fiscal Officers (CFO) and staff with fiscal responsibilities are invited to attend the Office of Comptroller’s annual Closing/Opening meeting. Please register at Comptroller’s [Training and Event Portal](#) for the sessions below.

**Date: Wednesday, May 9, 2012**  
**9:30 A.M. to 12:30 P.M. General Session**

[Federal Reserve Bank Auditorium](#), 600 Atlantic Avenue, Boston, Massachusetts

**Date: Wednesday, May 16, 2012**  
**9:30 A.M. to 12:30 P.M. General Session**

[Hoagland-Pincus Conference Center](#), 222 Maple Ave., Shrewsbury (UMASS Worcester),  
Massachusetts

*The meeting on Wednesday May 16 will be webcast for those who cannot attend in person.*

#### HR Modernization / Self Service Time and Attendance

The MassHR project kicked off this past fall with three objectives: implementing new self-service time reporting technology, streamlining HR service delivery, and implementing new training and employee development programs. The first wave of activity that agencies will experience is the implementation of Self-Service Time and Attendance (SSTA) and the Employee Service Center to support employees using the new technology.

Self-Service Time and Attendance allows:

- Employees to enter time and attendance directly in HR/CMS or via Time Collection Device (TCD)
- Supervisors to approve time and attendance directly in HR/CMS
- Employees and supervisors to view leave balances in real time

Self-Service Time and Attendance and the Employee Service Center will be rolled out in 3 phases during 2012. Phase 1 began for the pay period beginning April 22, 2012. This will be followed by Phase 2 scheduled in July and Phase 3 (Agencies with 24/7 operations and complex time reporting) in the fall.

## **Open Checkbook**

The Commonwealth launched the “[Open Checkbook](#)” website in December 2011. This site details vendor payments, identifying who was paid and when, how much was paid, who made the payment and what was the purpose of the payment. This data is not a substitute for VendorWeb which provides invoice data that is meaningful to Vendors.

All agency expenditures, including employee earnings and salaries, are available for review. The Commonwealth website enables the information to be provided in a standard format that accurately presents data beginning with fiscal year 2010.

The initial launch of the website did not include data that could contain sensitive or personally identifiable information. It is critical that payment information not include protected or sensitive information in the Doc code, invoice reference or comments fields. Open Checkbook continues to evolve with plans to expand in the coming year.

## **Prompt Payment Discounts (PPD)**

The Prompt Pay Discount program has increased savings every year. The program is mutually beneficial for both the purchasing department and the vendor by improving cash flow and providing a predictable payment stream for commodities or services rendered. Savings are returned to the department's appropriation, allowing it to maximize spending of their funds. Departments should process all payment requests in MMARS in a timely manner. The goal of the Commonwealth is to process payments within 9 calendar days of invoice receipt. This allows MMARS to take the maximum discount available or, if none was negotiated, will support the Commonwealth [Bill Payment Policy](#).

Reports are available on the CTR web portal [Payments - Comptroller of the Commonwealth](#) to assist with department analysis of payments made and discounts taken or missed.

The CTR Web Portal contains a list of vendors that provided discounts. This list can be sorted by Vendor Name, Vendor Code or Department. This list enables you to prioritize your invoice processing by vendors that provide discounts to your department. You may access this listing from the Comptroller's Home page, Business Function section, Payments, [Vendors Offering Discounts](#).

CTR/OSD continue to work together promoting PPD to maximize discounts to the state and to assist departments so that new/modified contracts will include standard discount terms. For further guidance on Prompt Payment Discounts please see the [Prompt Payment Discounts](#) policy.

## **Mandatory EFT**

Electronic Funds Transfer is cost-effective for vendors as well as the Commonwealth. Availability of funds is known when the warrant is processed and is not dependent on speed of checks processing through the mail or vendor staff handling of payments. VendorWeb provides data on scheduled as well as completed payments and provides the ability for vendors to download data in an electronic format that can be uploaded to their accounting system if desired. EFT also saves the Commonwealth money in both banking and check processing. Any vendor receiving more than four payments a year is mandated to receive their payments by EFT.

Vendors must process their EFT data through a department with which they do business since purchasing departments must assure that the request is coming from an authorized signatory of the vendor. This review is essential to preventing fraud. Please review and process requests for EFT in a timely manner. The CTR helpdesk has received a number of calls from vendors asking

why their payments continue to be paper checks when they have completed all the paperwork for EFT payments.

### **VendorWeb Enhancements**

VendorWeb has been enhanced to improve performance and to make data available in a more timely fashion. In addition to scheduled and disbursed vendor payments, the application provides vendors with three years of 1099 information. The Vendor Lookup feature on the [Comptroller Intranet](#) provides payment information for any state employee within MAGNet. Vendors often call program and contract managers to request status of payments and these individuals are often not MMARS users. Please ensure that any staff who may receive vendor calls are aware of this tool.

### **Massachusetts Budget Application (MBA)**

In FY2012, ANF launched a new software application to support the FY2012 spending plan/FY2013 budget development process. The new application, called the MA Budget Application (MBA), was used by over 250 fiscal and budget staff from all agencies to complete these planning tasks. User comments were collected and, based on their feedback; ANF has made certain improvements to the forms which will be implemented in time to support the FY2013/FY14 budget planning process. Some of these enhancements include:

- New department summary form rollups
- Adding "Total Available" on many forms
- Adding BGTS to "what if" versions
- Reminders to complete certain actions
- Option to expand rollup columns to see source columns for totals (visibility into rollups)
- Group employees by alpha in Personnel Budget module
- New form to show employee status changes and date of status change per employee
- And many more!

As important as these improvements are, the goal of implementing MBA was not only to improve the efficiency of the budget development process. It is also aimed at building a foundation to address "best practices" in budgeting including: all funds budgeting, short and long-term forecasting of spending and revenues, improved personnel budgeting and budgeting based on program performance goals and outcomes. In line with these goals, ANF will roll out a new MBA module this Spring to support planning for capital expenditures. The new module is called MassCap and will be used by the eight capital planning agencies that receive capital awards from ANF. With this enhancement, MBA will support all funds budgeting. Additional features will continue to be added in the future.

In July, ANF will issue guidance on the spending plan and budget development activities for the coming fiscal year using MBA. Please contact your analyst at ANF if you have any questions or feedback about the new application or send your email to the MBA Project mailbox at: [mabudgetproject@massmail.state.ma.us](mailto:mabudgetproject@massmail.state.ma.us).

### **Single Audit**

KPMG LLP will conduct the Commonwealth's FY2012 Statewide Single Audit. This audit will be a joint undertaking of CTR and KPMG. Information for departments on items of interest found as part of the Single Audit of 2011 that should be used as ideas for improvement for all departments are contained in CTR Memo [FY2012-20: Areas of Audit Issues from 2011-Preparation for 2012](#). The reports from FY2011 can be found on the [Financial Reports page](#) of the CTR Web Portal. To facilitate the Single Audit, departments are required to complete the GAAP package which is due August 6<sup>th</sup>.



## **Risk Assessment and Internal Controls**

To assist a department in achieving its objectives, senior management should identify and assess department-wide risks based on the department's mission and goals, and ensure the existence of controls to mitigate those risks. This information should be assembled, summarized and documented into an all-encompassing Internal Control Plan that is communicated throughout the department. The Office of the Comptroller, in cooperation with the Office of the State Auditor, defines an internal control plan to be a high level summary of goals, risks and mitigating controls supported by lower-level policy and procedures. The internal control plan, required of each department, should be reviewed annually or as conditions change such as with the addition of ARRA funds, or a departmental reorganization.

The auditors will be reviewing internal controls both centrally (CTR and ITD) and at the department level. In preparation for this action, please review and update your internal control plan as well as supporting departmental policies and procedures. The Annual Internal Control Questionnaire (ICQ) for FY2012 is available to departments as a web application through PartnerNet. Submission of the ICQ certifies that departments in the Commonwealth are following the correct internal control policies to manage cash, revenue, receivables, and inventory. The ICQ is also where departments attest to the compliance with applicable state and federal laws, regulations, and to the disclosure of known instances of fraud. The Questionnaire was issued on April 23<sup>rd</sup> and is due to be completed by May 4<sup>th</sup>.

## **Statewide Enterprise Systems Security**

As part of the annual Internal Control Review and Fiscal Year Opening responsibilities, Department Heads must verify security designations for all staff to all enterprise systems associated with their UAID by June 28, 2012. Please review the [Statewide Enterprise Security Policy](#) for more details.

## **Federal Funding Accountability and Transparency Act (FFATA)**

### *Monthly Reporting for New Federal Grants received after October 1, 2010*

In 2010, the Office for Management and Budget issued [guidance](#) for additional reporting requirements under the Federal Funding Accountability and Transparency Act (FFATA). Departments with new federal awards as of October 1, 2010 must report new sub-award information on a monthly basis via the Federal Sub-award Reporting System (FSRS).

To summarize the new requirements:

- All new grants received on or after October 1, 2010 are required to report under the new guidelines.
- Reporting is managed through FSRS, and is displayed on [USASpending.gov](http://USASpending.gov). Federal grantor agencies pre-populate most data elements required. Additional information can be added by grant recipients via online data entry or batch uploads. The Commonwealth is exploring a model similar to the model we now use for ARRA for statewide data-entry and reporting. This will likely include CIW views which are specific to FFATA grants.
- There are rolling deadlines, with reports required 30 days after the end of the month when the activity first occurs or changes. So for activity in May 2012, the reporting deadline is June 30<sup>th</sup>.

Most report details will be inferred from Central Contractor Registry (CCR), or federal agency grants management and accounting systems. Non-inferred elements that would need to be compiled and reported are (see [Appendix C](#) from the official documents for complete list of all fields)

Departments with new federal awards as of October 1<sup>st</sup>, 2010 should have received reporting guidance from their grantors. If they have not already done so, departments should register with

FSRS using the department DUNS number, review the pre-populated information, add sub-award information and submit that in the system.

To enable population of the central FFATA views in the CIW, the Federal grant setup process must now include the DUNS Number used in the grant application process as well as the award number.

Please feel free to address questions you may have regarding FFATA reporting or guidance to:

- Ramesh Advani 617-979-8562

### **American Recovery and Reinvestment Act (ARRA)**

The American Recovery and Reinvestment Act of 2009 (ARRA) included unprecedented levels of reporting and accountability requirements. Departments and programs that may not have been part of the Commonwealth's Single Audit in previous years may now be part of the Single Audit and other accountability measures that are dictated in the Act. Departments are required to actively monitor all sub-recipients of ARRA funds. Certain accounting and reporting provisions may need to be passed through to them as well. To support this effort, please review the link on the CTR web portal [Federal Stimulus \(ARRA\) Guidance - Comptroller of the Commonwealth](#). This page contains updates to policy, FAQs and related links.

### **Categorical Federal Grant Draw Non-Automated Central Draw (NCD) Processing**

Currently, there are categorical federal grants that are established in MMARS under the Non-Automated Central Draw (NCD) Process. These categorical federal grants will be reviewed by CTR to ensure that they contain specific prohibitive language that exempts them from being processed via the Automated Central Draw (ACD) Process. Departments must submit specific documentation that supports establishing a categorical federal grant in MMARS under the Non-Automated Central Draw (NCD) Process. Once the grant is approved to be placed on Non-Automated Central Draw (NCD), subsequent draws require a Cash Deposit (CD) form to be completed and sent to TRE. [Cash deposit forms](#) are available via the Comptroller's Website.

### **Revised Capital Set-Up Form**

The revised [Capital Set-Up Form](#) has been posted to the CTR Web Portal. ANF manages capital spending across the Commonwealth. As part of a multi-year effort to enhance software applications and business processes that support budgeting, ANF is implementing a new capital budgeting system known as MassCap. ANF and CTR have worked closely together to ensure that MMARS and MassCap will work together to permit more detailed reporting on capital spending. As part of this effort, the form used by departments to request establishing program codes in MMARS for capital spending has been updated to include additional pieces of information: project location and Capital Plan ID #.

The process to request program codes be established has not changed but the form will now be routed to ANF for approval and then routed to the Comptroller's Office by ANF for set-up in MMARS. Departments should contact Katie Hammer, Assistant Budget Director for Capital Planning at ANF if they have questions. A mailbox is being created at ANF to receive program creation request forms from agencies. Notice on the mailbox address will be provided shortly to capital agencies.

### **Capital Asset Inventory**

Inventory controls and capital asset reporting are a key component of the Commonwealth's financial statements and the annual audit. CTR works with departments to complete a mid-year and an annual Capital Asset Inventory Review. Departmental Capital Asset Inventory reports are available on DocDirect at each month's end. Departments need to complete and certify their

inventory utilizing the Confirmation form posted on PartnerNet. Details of the Annual Review will be forthcoming in mid-June via a Comptroller's Fiscal Year 2012 Policy Memo. Certification of Capital assets Inventory will be due July 27, 2012.

The following reports have been added to the list of Capital asset Reports and are available to departments on Document Direct.

#### **List of Current Fiscal Year Capital Asset Reports**

NGA155SD	Departmental Current GAAP (Non-Memo) and Non-GAAP (Memo) Assets Summary
<b>NGA155SG</b>	Current Active GAAP (Non-Memo) Capital Asset Inventory by Department, Unit, and Asset Type <b><i>Key report for completion of your inventory review</i></b>
NGA155SN	Current Active Non-GAAP (Memo) Asset Inventory by Department, Unit, and Asset Type
NGA155SS	Statewide Current GAAP (Non-Memo) and Non-GAAP (Memo) Assets Summary
NGA156SA	Statewide Disposed GAAP (Non-memo) and Non-GAAP (Memo) Assets Summary
NGA156SD	Disposed GAAP and Non-GAAP Capital Asset Inventory by Department, Unit, and Asset Type
NGA156SS	Departmental Disposed GAAP (Non-Memo) and Non-GAAP (Memo) Asset Summary

#### **Procurement Cards (P-Card)**

In the current fiscal climate, all departments are working very hard to cut cost where possible and to find new savings if available. The Commonwealth's Procurement Card (P-Card) program has been established to increase departmental purchasing efficiency, by reducing the paper work for routine and low-dollar value purchases without circumventing state procurement requirements. It is a more efficient payment vehicle because:

- Incidental or non-recurring purchases made through vendors not paid via EFT will reduce the # of paper checks by converting payment to card.
- The Commonwealth earns rebates from issuer when certain spending thresholds are exceeded.
- Preventing misuse by blocking merchants (MCCs) and instituting spending limits.
- Manage card activities in real time.
- View statements online.
- Ability to offer zero dollar cards for optimized control.
- Ability to increase/decrease funds on card and disable cards in real time if needed.

The P-Card is centrally managed by the Office of the Comptroller but each department head or his/her designee is required to approve the procurement card limit and will be responsible for paying the monthly bill to the card issuer upon a receipt of a monthly billing. Departments are encouraged to take time to read through the [Comptrollers P-Card Policy & Procedures](#) and take advantage of the P-Card Program to increase the efficiency and effectiveness of departmental purchases.

#### **Payment Card Industry (PCI) Data Security Standard Compliance**

All Commonwealth entities that currently accept credit card and ACH payments ("merchants") must validate PCI data security standard compliance by engaging a Qualified Security Assessor (QSA), and re-validate annually on or before the anniversary date of initial validated compliance.

Commonwealth entities that accept electronic payments via any method or channel must attest PCI compliance to the Comptroller's office annually, regardless of the contract used to procure electronic payments program services. Please note that this requirement applies to all Commonwealth merchant entities, regardless of merchant level or contract used for electronic payment services.

Once validated, the entity must submit the PCI DSS Self-Assessment Questionnaire (SAQ) to their merchant bank and the Attestation of Compliance (AOC) to the Comptroller by March 31<sup>st</sup> of each year, regardless of merchant level. For new electronic payment applications or programs, Commonwealth entities must validate compliance prior to going live with implementation.

The Office of the Comptroller (CTR) engaged two nationally certified PCI compliance Qualified Security Assessor/Approved Scanning Vendor contractors (Digital Resources Group (DRG) and Lighthouse Computer Services (LCS)) to assist Departments with meeting initial and ongoing PCI compliance validation. For more contractual information, templates, and quote forms related to these contracts, see <http://www.mass.gov/osc/docs/business-functions/bf-accts-receivable/pci-quote-form-sow.doc>. Due to the mandatory requirement that any Commonwealth merchant maintain PCI compliance if accepting electronic payments, entities must ensure that sufficient funds are budgeted in annual spending plans and set aside for initial, ongoing, and annual PCI compliance validation by a Qualified Security Assessor, including any remediation areas identified.

The Self-Assessment Questionnaire (SAQ) and scan results (if required) must be submitted to the entity's merchant bank. Once the PCI Compliance SAQ is submitted to the merchant bank, the Commonwealth entity's CFO must email an electronic copy of the signed and dated Attestation of Compliance (AOC) to the Comptroller at [PCIAttestations@massmail.state.ma.us](mailto:PCIAttestations@massmail.state.ma.us). Please do not send the entire Self-Assessment Questionnaire (SAQ); just send the signed and dated Attestation of Compliance pages. These pages comprise the first few pages of the SAQ. If you have any questions, please contact Patricia Davis at 617-973-2332.

## **Electronic Signature**

An electronic signature takes the place of a "wet" signature when made in accordance with state and federal electronic signature requirements. Electronic signatures are limited to MMARS documents (and certain on-line bids through Comm-PASS) and may **NOT** be used for underlying supporting documentation (such as contract documents or any other document requiring a department head signature). Although state law authorizes electronic signatures, the Commonwealth is still developing standards for using electronic signatures, which will be issued by the Supervisor of Public Records and the Records Conservation Board, in cooperation with the Information Technology Division (ITD) and guidance from CTR.

## **Recommendations for Managing within State Finance Law**

Determine:

- Planned activity or expenditure
- "Legal" authority (statute, line-item, regulation)
- "Funding" (line-item appropriation, federal grant or trust)

Identify:

- Expenditure Classification object class (subsidiary) and object code and applicable requirements
- Applicable CTR Regulations, policies, and job aids for activity or expenditure.

Evaluate internal controls, ethics issues, conflicts or risks.

Conduct purchase or disbursement in accordance with department protocols.

Document decision-making and supporting materials to respond to public information requests/audits.

## Key Contacts

CTR maintains a contact database of department employees:

- Those who are formally appointed by the department head as key fiscal contacts; who are designated as responsible for the department's compliance with various aspects of state finance law and,

Chief Fiscal Officer (CFO)  
Internal Control Officer (ICO)

General Counsel  
Security Officer

Each of these positions is considered a senior staff appointment of the Department Head. While the CFO is expected to be an authorized signatory of the Department Head, most key fiscal contacts will have DHSA.

Similar to Department Head Signature Authorization, appointments to these roles cannot be made to contractors, contract employees, non-employees or employees of another department and should not be shared among multiple departments.

The Internal Control Officer is responsible for ensuring that the DHSA, MMARS security and Key Appointments are up to date, both at the department and at the CTR. These responsibilities are vital for maintaining the series of reliance's CTR uses to approve the warrant. It is critical that departments notify CTR promptly of any changes so that we can accurately communicate information to your department.

- Others who are key to CTR communications but are not required to be a fiscal designee on behalf of the department.

Payroll Director  
Single Audit Liaison  
Contract Manager  
Open Checkbook Liaison

HR Director  
GAAP Liaison  
MMARS Liaison  
Federal Grants Liaison

Each of these department contacts has an important business role to CTR and the department or departments they serve. When working on behalf of another department, consistent with State Finance Law, a person serving in a shared capacity should provide their subject matter expertise for reliable communications, and potential processing of data appropriately certified or approved by the authorized department personnel.

CTR uses this contact database to communicate information and relies on both of these types of individuals as the knowledge workers for the departments in their areas of expertise.

Please review the current list within your Department Head and forward any changes to Office of the Comptroller Executive Bureau (attn: Elizabeth Hemond), One Ashburton Place, Room 901, Boston MA 02108. We recommend that the Security Officer be responsible for managing Department Head Signature Authorizations (DHSA) approvals by the Department Head prior to requesting security access to any enterprise system.

## Interim Budget

CTR and Administration and Finance will submit an Interim Budget request in the event that the GAA is not passed by the Legislature and signed by the Governor by July 1<sup>st</sup>. If necessary and

enacted this will provide funding for the continuation of essential services across the Commonwealth. While no new programs or projects are supported as part of the interim budget, all routine department business to carry out department missions is included (i.e., payrolls, client benefits, leases, goods and services).

Once notified that the Interim Budget is signed, departments should proceed with routine business, including processing invoices within 9 days to assure prompt payment discounts are taken if offered. All activity conducted under an interim budget will be subject retroactively to the conditions and restrictions included in the GAA when signed into law. Departments must not undertake any activities which they have reason to believe will not be supported by the relevant appropriations and other provisions of the GAA, specifically any obligations which are not supported by an appropriation that appears in both the House and Senate Budgets. Further detail on operating under an interim budget can be found in [Administrative Bulletin 9](#). If there is a question about whether an account will be funded, the CFO should confer with ANF.

In addition to ensuring the availability of sufficient funding to support an expenditure, departments are responsible for determining the appropriate object code classification and legal requirements for any planned expenditure from the [Expenditure Classification Handbook](#) PRIOR to incurring an obligation. Departments unable to identify a particular expenditure by object class and object code or having questions should contact CTR's Accounts Payable Bureau, Contracts Unit or Legal Unit for guidance.

### **New, Consolidated, or Closing Departments**

If your department is new, consolidated, closed, or modified in the General Appropriation Act (GAA) or any other legislation, contact the Accounts Payable Bureau at CTR for a copy of the "New, Consolidated, or Closing Department Checklist." Transition meetings will be scheduled accordingly.

- Any reorganization must be authorized in legislation and may not be accomplished administratively.
- All key contacts, including Department Security Officers and their back-ups, must be employees of that department.
- Department Heads must certify that all departmental staff work for the department and not another Department. (M.G.L. c. 29, s. 31).
- Programs cannot be transferred to other departments without legislative authorization.

**Reminder:** All new staff must be trained on and familiar with state finance law policies, including this document.

### **Interface Coding**

The correct fiscal year dates must be included on all interface files representing either FY2012 or FY2013 transactions.

For files containing FY 2012 transactions sent through June 30<sup>th</sup>, the following fields need to be populated:

AFY (Accounting Fiscal Year) = 2012

AFP (Accounting Fiscal Period) = 12

BFY (Budget Fiscal Year) = 2012

For files containing FY 2012 transactions sent after June 30<sup>th</sup>, the following fields need to be populated:

AFY (Accounting Fiscal Year) = 2012

AFP (Accounting Fiscal Period) = 13

BFY (Budget Fiscal Year) = 2012

For files sent containing FY 2013 transactions in July, the following fields need to be populated:

AFY (Accounting Fiscal Year) = 2013

AFP (Accounting Fiscal Period) = 01

BFY (Budget Fiscal Year) = 2013

For files sent containing FY 2013 transactions in August, the following fields need to be populated:

AFY (Accounting Fiscal Year) = 2013

AFP (Accounting Fiscal Period) = 02

BFY (Budget Fiscal Year) = 2013.

### Month End Closing Activity

Departments should perform all month end activity within 5 business days of month end. For example,

Month	Last Business Day	5 Business Days After Month End
April	April 30	May 7
May	May 31	June 7
June	June 29	July 9

### Information Delivery

Standard reports produced from the MMARS system as well as from the Commonwealth Information Warehouse (CIW) will be published for both Budget Fiscal Years 2012 and 2013 until FY 2012 is closed. There are some MMARS reports via the CIW web portal that will display both open fiscal years in the same report version. CIW end users do not need to do anything to their queries in advance of the fiscal year roll. MMARS data in the CIW has been structured to present data for all fiscal years through common views.

### MMARS Reports

MMARS offers a standard set of reports for ongoing financial management, operations and reporting. Reports that are based on the source system (identified by an "S" in the seventh position of the report ID) are accessible through the [Document Direct web portal](#). Reports that are from the CIW (identified by a "W" in the seventh position of the report ID) are available via the Document Direct web portal as well as via the CIW Web Portal. Please see the [MMARS and CIW Reports Policy](#).

### Department Resources

#### Comptroller's Web Portal / Intranet

The [Comptroller's Web Portal](#) provides user support information, MMARS resources and services for users. The CTR Web Portal / Intranet is your "one-stop" information center for policies, procedures, fiscal updates, training, job aids, forms, and other resources needed to conduct departmental day-to-day business.

#### MMARS Help Desk Hours of Operations

The Help Desk is open Monday through Friday, 8:00 A.M. – 5:00 P.M. and can be reached by calling 617-973-2468 or emailing [comptroller.info@state.ma.us](mailto:comptroller.info@state.ma.us).

The Help Desk is available for users with questions that cannot be answered using the CTR Web Portal. All calls should be channeled through the Help Desk to assure issues are accurately logged and resolved in a timely manner.

MMARS is available on state holidays that fall Monday through Friday but no cycle is run when the holiday is a banking holiday. Predictive payroll reports from LCM do run if the night is one of the scheduled predictive nights. The weekly [eUpdate](#) and [Daily MMARS News](#) are used to communicate Saturday on-line availability.



**Additional Close/Open Related Sessions**

If the Close/Open procedures are new to you, please register for one of the Close/Open for Beginners trainings. This Instructor Led training is designed for department staff that will be going through their first Close/Open of MMARS/LCM. A review of the Close/Open book along with key areas within each business function will be covered. Users who deal with MMARS and/or Payroll should plan on attending this training.

Tuesday, May 22 <sup>nd</sup>	1:00 P.M. – 3:00 P.M.
Tuesday, May 29 <sup>th</sup>	9:00 A.M. – 11:00 A.M.
Tuesday, June 5 <sup>th</sup>	1:00 P.M. – 3:00 P.M.

All sessions will be held on the 9<sup>th</sup> Floor of One Ashburton Place, Boston. Register for these sessions via the [Comptroller's Training/Meeting Schedule](#).

**CIW Support**

Training in the use of MMARS/LCM and HR/CMS payroll data in the CIW is provided by the CTR Training Unit. Details related to this training may be found at the [CTR Web Portal](#). End-users may also call the CommonHelp Service Desk at 1-866-888-2808 for questions about data in the CIW and for assistance with their queries.

The CIW team hosts quarterly User Group Meetings - dates and planned agendas are posted on the [CIW website](#).

## Section Two

### Quality Assurance

#### Section Introduction

The Comptroller delegates the approval of low risk transactions without pre-audit to departments and the Quality Assurance Bureau monitors this activity through review of department controls. As part of delegation, departments must adhere to relevant state and federal laws, Commonwealth regulations, policies and procedures for all of their fiscal business, including appropriate records management.

#### Prevention of Fraud, Waste, and Abuse

The Office of the Comptroller provides tools to assist departments in eliminating waste and preventing fraud and abuse. Departments should take advantage of these resources when developing internal controls:

[A Toolkit for Departments to Combat Fraud, Waste and Abuse](#)

[Association of Government Accountants \(AGA\) Fraud Prevention Toolkit](#)

[Combat Fraud, Waste and Abuse Brochure](#)

#### Internal Controls

[Chapter 647 of the Acts of 1989](#), *An Act Relative to Improving the Internal Controls within State Agencies* establishes the minimum standards for internal controls. It requires each department to have an Internal Control Officer (ICO) who is responsible for ensuring the department has a written Internal Control Plan, to review and update its plan annually or as conditions warrant, and to evaluate and implement all audit recommendations. Each department head must designate the internal control officer at the level of deputy or assistant agency head, and the ICO must immediately report all unaccounted for variances, losses, shortages, or thefts of funds or property to the Office of the State Auditor (OSA).

CTR is required to develop internal control guidance for departments, which is published in the [Internal Control Guide](#). The Office of the State Auditor includes internal control reviews in its audit plan and the CTR Quality Assurance Bureau includes internal control reviews in its quality assurance review plan.

#### Internal Control Questionnaire

The Internal Control Questionnaire (ICQ) is designed to give the Comptroller and auditors insight into departmental internal controls. It is divided into sections that collect information on various department business practices. A separate section contains the department representations. The Internal Control Questionnaire (available in [PartnerNet](#)) was issued on April 23<sup>rd</sup> and is due to be completed by May 4<sup>th</sup>. For assistance in accessing your department's ICQ, please contact the MMARS Help Desk at 617-973-2468.

## **Statewide Single Audit**

As in previous years, the Internal Control Questionnaire is the first step in the Statewide Single Audit process. The auditors will be reviewing internal controls both centrally (CTR and ITD) and at the department level. In preparation for this action, please review and update your internal control plan and supporting departmental policies and procedures.

## **Departmental Quality Assurance Review**

The CTR Quality Assurance (QA) Review Program is comprehensive – encompassing all fiscal transactions and CTR business areas. The program has two components – Departmental QA Review and Issue Specific Review. The Departmental QA Review validates, through the examination of documents, supporting referenced documentation and query results that the department's internal controls provide reasonable assurance that departments are adhering to Massachusetts State Finance Law and the regulations, policies and procedures issued by the Office of the Comptroller. The Issue Specific Review focuses on a fiscal transaction or process across all departments in the Commonwealth.

## **Protocols for Audits and Audit Follow-Up**

The Comptroller must be notified through the Quality Assurance Bureau (QAB) when departments are contacted by federal or state audit and regulatory authorities regarding proposed audits or program reviews to fulfill the following requirements: Key government officials, including the Comptroller and the Secretary of Administration and Finance, are obligated to make the Commonwealth external auditors aware of any ongoing audits, investigations or reviews being conducted by federal or state auditors or regulators, Inspectors General or investigators, and to certify to the external auditor annually that those notifications are materially complete and accurate.

Additionally, departments must notify QAB when new, subsequent or expanded findings arise from any such audits or reviews. See the [Audit Protocol Policy](#) for more information.

## Section Three

# Managing Appropriations

### Section Introduction

This section highlights procedures for effective account management through the FY2012 Closing / FY2013 Opening process. It also provides detailed information regarding appropriations and account balances that transition to FY2013. Account management should be a primary concern when scheduling transactions. It is the department's responsibility to coordinate Secretariat and Executive Office of Administration and Finance (ANF) approval for any transactions requiring Secretariat or ANF signoff.

### CLOSING

#### Appropriation and Account Management

Departments should perform monthly reconciliation of all accounts within 5 days of month end. For example, departments should have reconciled all activity for July 2011 through April 2012 and entered all necessary adjusting entries by May 4, 2012. The Report NGA341S is available in Doc Direct to help departments with this reconciliation. It is especially important at the end of the fiscal year to budget properly for costs that are assessed based on expenditures, such as fringe and indirect. Departments need to ensure there are adequate funds available in appropriations to support these costs.

#### Expiring Accounts

Departments are reminded that if accounts are not re-authorized by legislation as of July 1<sup>st</sup>, business may not continue in these accounts in FY2013 including services of employees or contractors. Contracts must be terminated or suspended; personnel must be terminated; and/or contracts or personnel must be transferred to other appropriate accounts authorized for these types of expenditures.

**Note: Expenditures incurred against alternate accounts may not be retroactively transferred to an account that may be re-authorized unless specifically provided in the legislation.** For example, if there is an account that has expired (for example, an ISA Seller account) and costs formerly associated with this account have been paid from another account while the ISA is being signed and approved, these costs cannot then be transferred to the ISA Seller account once the account has been established in MMARS. Please see [Expenditure Correction Policy \(EX\)](#) for restrictions. Please contact Dianne Handrahan at 617-973-2324 for assistance.

#### Irregular and Negative Balances

The final periodic allotment for Fiscal Year 2012 will be processed on or about May 14, 2012. Irregular balances are defined as amounts in the obligation ceiling and the expenditure ceiling that do not equal, after all the allotments have been processed. Negative balances are those that show as negative in the uncommitted, unexpended, accrued cash, or expended cash balances in the MMARS budget query (BQ) screens. Several scenarios can cause an account to have an irregular or negative balance. For example, expenditures in excess of revenue received or

inadequate budgeting for fringe and indirect can cause negative balances. Transfer In and Transfer Out transactions and BGTS transactions in which the allotment lines are different from the dollar amounts can cause irregular balances.

Fringe benefits, payroll taxes and indirect costs are assessed based upon certain expenditures. These assessments are made against accounts after the close of the month in which the expenditures are incurred. These charges will post to the appropriation regardless of whether or not there is available funding in the account. If there are no funds available in the account, it will go negative and must be corrected by the department. To avoid negative balances at either year-end or upon termination of funding, departments must ensure that fringe benefits, payroll taxes and indirect costs are adequately budgeted (including ISAs) for assessable expenditures posted to an open Accounting Period including the Accounts Payable Period. For more information, see Section Four.

It is important to identify accounts that are or may go negative. The Comptroller's Office contacts departments that have accounts with negative balances to assist in bringing the accounts into balance. Departments are encouraged to contact the Comptroller's Helpdesk for assistance or for any questions about resolving negative and/or irregular balances.

**All budgeted and non-budgeted irregular balances MUST be resolved by June 30<sup>th</sup> unless specifically authorized in statute. All federal grant irregular balances must be resolved by October 1, 2012.**

## **Budget Transfers**

Transfers for budgeted funds must be authorized in either the department's enabling statute or by another legislative action. Transfers between appropriations necessary for FY2012 activity must be submitted to the General Accounting Bureau for review/approval by Friday, June 8, 2012. Transfers between subsidiaries for Executive Departments are approved by ANF, and must be submitted to your ANF analyst by Friday, June 8, 2012.

## **Expenditure Adjustments**

### **Expenditure Correction (EX)**

An expenditure correction is allowed when a department, through its reconciliation process, determines that a coding error has occurred. The EX is a zero-sum document – the accounting lines must net to zero – and requires a justification in the Comments field. It is submitted through workflow to the Comptroller's General Accounting Bureau for review and approval. Departments are reminded to use Budget Fiscal Year 2012, Accounting Period 13 for all documents entered after July 1, 2012. An EX needed to correct final 2012 activity must be submitted by August 31, 2012.

For the specific conditions under which an EX is allowed, please refer to the [Expenditure Correction Policy \(EX\)](#). EXs are subject to post audit and Quality Assurance review.

### **Expenditure Correction (PRADJ)**

An expenditure correction for FY2012 payroll activity must be entered into LCM as a LARQ. LARQs require overnight processing to then create the PRADJ in MMARS. Departments must record the justification for the PRADJ in the Comments field. All LARQ documents for FY2012 should be entered into LCM by September 7, 2012.

For additional guidance on PRADJ processing, please refer to Section Nine. PRADJs are treated as EXs and are subject to post audit and Quality Assurance Reviews.

### **Expenditure Refund (ER)**

In accordance with the [Expenditure Refunds \(ER\)](#) policy, a refund of an overpayment from a vendor received on or before June 30<sup>th</sup> for FY2012 expenditures must be deposited into the bank by noon on Monday, July 2, 2012 in order for it to be considered Budget Fiscal Year 2012 funds. All funds received and deposited after this date will be considered FY2013 business and will not be available for use in FY2012. ER Documents for FY2012 must be entered into MMARS before Monday, July 2, 2012. The ER is a zero-sum document – the accounting lines must net to zero – and requires a justification in the Comments field. It is submitted to workflow to the Comptroller's General Accounting Bureau for review and approval. When processing an FY2012 ER between July 1<sup>st</sup> and July 2<sup>nd</sup>, departments are reminded to use Budget Fiscal Year 2012, Accounting Period 12 – which reflects the same accounting period as the cash received.

For refunds from a vendor for a FY2012 payment after the cash cutoff date, and for additional guidance on ER processing, please refer to the [Expenditure Refund Policy \(ER\)](#). ERs may be entered for refunds solely from the vendor that was overpaid and not from a third party or as a third party settlement or other type of reimbursement.

### **Regular Employee and Contractor Payroll Refund (PRRV)**

FY2012 payroll paid in error and recovered from an employee must be deposited into the bank (sweep account) by noon on July 2, 2012 and entered by July 2, 2012 to update Budget Fiscal Year 2012. Departments should immediately enter the PRRV into MMARS and submit the Payroll Refund Receipt Voucher form with backup to the State Retirement Board for proper adjustment of the employees' withholdings.

After the department enters the MMARS PRRV document detailing cash deposits, CTR's Payroll Bureau and the Retirement Board enter the employee corrections in HR/CMS and the Retirement System respectively. The HR/CMS transaction updates labor history in LCM and creates PRRFC (for the current year) or PRRFP (for the prior year) documents in MMARS. It is the department's responsibility to reconcile the PRRV document with the PRRFP/PRRFC document.

FY2012 Payroll Refund Receipt Voucher paperwork through April is due to the State Retirement Board June 1, 2012.

For refunds from an employee or contracted employee for a FY2012 payment after the cash cutoff date, and for additional guidance on PRRV processing, please refer to the [Job Aid for the PRRV](#).

### **Advance Refund (AR)**

As with all cash-based activity, payroll advance refunds for FY2012 should be deposited into the bank by noon on July 2nd. The corresponding AR should be entered into MMARS by July 3, 2012 and will workflow to the Accounts Payable Bureau (APB) for review and electronic approval. Departments with non-payroll advances should complete the advance refund process by August 31, 2012.

## **OPENING**

## Chart of Accounts

Chart of Accounts data elements are the foundation of the financial management system. Changes to the department's Chart of Accounts must be established prior to any FY2013 activity.

Considerations for Chart of Account Development:

The following questions should be considered in determining the right level of coding for your department:

- What organizational information did you report in FY2012? Was it detailed properly or is additional information necessary?
- Is your department planning any major re-organization for FY2013? Did your department undergo a re-organization during FY2012?
- What functional information do you currently access? Do your reporting needs require you to review financial data by services your department provides?
- Do you spend from federal grants or capital appropriations?
- What information is requested by both internal and external entities that are difficult for you to provide?

## Chart of Account Set-up

Changes to chart of account elements **controlled by Departments** (i.e., activity, function) must be submitted to the Comptroller's Department Assistance Bureau (DAB) using the [Table Change Request](#) Form on the CTR Web Portal by Thursday, April 26, 2012.

A request to inactivate a code may not be feasible. A thorough analysis of all active documents should be completed by the department prior to any request of this nature. CTR reserves the right to defer requests for de-activation of any COA element pending such analysis.

## Departmental Budgets

Departments that plan to utilize Departmental Budgets must review the department's chart of account set-up needs and if necessary, request changes for FY2013. Changes to the Chart of Accounts (COA) must be in by Thursday, April 26, 2012 to be included in the automatic table roll performed by CTR. After the roll, changes can still be made but must be entered in MMARS for both FY2012 and FY2013. Departments should submit changes to unit or unit roll-up tables to Dianne Handrahan, Budgetary Unit Manager in the Comptroller's General Accounting Bureau, by Thursday, April 26, 2012.

After the departmental budget roll, departments must review all of their departmental budgets prior to encumbering. For those accounts with both subsidiarized and non-subsidiarized departmental budget structures, the department must select the appropriate departmental budget structure and delete the erroneous one.

Departments that use departmental budgets should not change the rollups of division and district on existing units. Such changes cause payment disbursement problems and create budget out-of-sync conditions.

Remember departmental revenue (BQ85) and expense (BQ83 and BQ84) budgets <b>MUST</b> be established before any FY2013 activity is processed. Departments that maintain departmental budgets (BQ 83, 84 and 85) should determine whether they want to roll those budgets into FY2013. If a department is changing UNIT codes or has
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determined it will not budget at the same level in FY2013, please notify Dianne Handrahan by Thursday, April 26, 2012.

### **Balance Forward (BF)**

The first automated balance forward of uncommitted amounts in MMARS will be generated for Capital, Trust and Non-Cash Trust accounts (appropriation types 2CN, 3TN, and 3TX) after fringe and indirect charges for period 12 are processed. Fringe and indirect processing is scheduled to occur the weekend of July 7, 2012 and the automated process for balance forward is scheduled on July 20, 2012. Thereafter, the process will occur weekly.

Please make sure that departments have budgeted appropriately for and have encumbered for all FY2012 related activity that will occur during the accounts payable period. Once uncommitted dollars are rolled forward, departments will be required to request a manual balance forward reversal from the Budgetary Unit.

### **Prior Appropriation Continued (PAC)**

The balance forward of uncommitted amounts in MMARS in Budgeted and Intergovernmental appropriation accounts (1CS, 1CN, 1RS, 1RN, 1IS and 1IN) will only occur for accounts and amounts that are authorized by legislation. The balance forward or PAC is a manual process that begins after verification of the final uncommitted amounts listed in MMARS for FY2012. Please remember that accounts payable period runs through August. For this reason the Comptroller's Office will not begin the PAC process until after encumbrance lapsing. If there is an absolute need for PAC funds to be made available before the end of the accounts payable period, please complete the [PAC REQUEST FORM](#) and submit it to the Comptroller's General Accounting Bureau, Budgetary Unit. If you have concerns about this process, contact Dianne Handrahan at 617-973-2324.

### **Federal Grants**

The first automated balance forward of uncommitted amounts in MMARS will be generated for Federal Grant accounts (appropriation type 4FN) on October 31, 2012. Please refer to Section Four for further information.

### **Retained Revenue Accounts**

ANF will establish an estimated receipt ceiling via a BGCN or BGCS document by loading a preliminary budget for June. This action updates the budgetary estimated receipts in the following inquiry screens: BQ81 (subsidiarized) and BQ89 (non-subsidiarized). This eliminates the need for individual encumbrance override requests to CTR. Departments should review the central expense budgets (BQ81 and/or BQ89) to ensure they are linked appropriately to the revenue budgets (BQ82). All retained revenue accounts MUST NOT have negative balances on June 30<sup>th</sup> unless specifically authorized in statute.

At any time during the fiscal year, if departments have reason to believe that actual collections in a retained revenue or ISF account authorized to spend in advance of receipt will fall short of their initial projections, they must immediately notify the Department's Budget Analyst at the Executive Office of Administration and Finance and the Comptroller's General Accounting Bureau, attn: Dianne Handrahan,

### **Trust Accounts**

If a department needs to establish a budgetary estimated receipt for a trust account, it must enter into MMARS a BGCN with event type BG12 and include an explanation in the Comments field. In



addition, an authorized signatory must submit written communication stating the projected fiscal year total receipts. Requests will be reviewed and approved by the General Accounting Bureau. This action updates the budgetary estimated receipts in the BQ89 inquiry screens and will eliminate the need to override encumbrances.

**Fund 0901 Balances**

Per M.G.L. 15A, S.15C, public institutions of higher education are required to report monthly by subsidiary all expenditures and revenues from all appropriated and non-appropriated funds on MMARS. All expenditure and revenue balances posted in Fund 0901 must be reconciled to the campus' audited financial statements prior to the close of FY2012. As in previous years, uncommitted balances will not roll into FY2013 until the Comptroller's General Accounting Bureau, Budgetary Unit receives confirmation that the accounts are reconciled to the off-campus financial statements. If campuses need to make adjustments to the account balances, they may do so using the RT and TV documents and making an adjusting entry to have the account balances reflect the accurate amounts.

## **Section Four**

### **Federal Grants and Cost Allocation**

#### **Section Introduction**

The Federal Grant & Cost Allocation Bureau has two units (Federal Grant Unit & Cost Allocation Unit) to oversee the federal grant and cost accounting activities of Commonwealth agencies.

#### **Federal Grant Unit:**

The major responsibility of the Federal Grant Unit is to manage the Commonwealth's Federal Grants Process. This includes maintaining the federal grants MMARS tables, system assure the weekly cycle, create reports, draw funds from payment systems, process ISAs and post reconciliation data for automated and non-automated draw federal grants.

Federal Grants is defined as any financial assistance available to a state agency from the United States Government, distributed through a congressionally defined formula or awarded through a competitive process. The latter are termed categorical grants and are usually represented in MMARS as appropriation Type 4FN. All federal grant accounts must use the Reimbursable Grant budget structure (BQ88), which is not Budget Fiscal Year sensitive. The General Appropriation Act and/or the federal award letter determine the authorized amount for a federal grant. It is the responsibility of the Grantee to file timely reports with the awarding federal agency and to prevent expenditures from exceeding the amount of the award and finally to monitor all draws to insure that the Commonwealth is receiving Federal reimbursement for its expenditures.

[Massachusetts General Laws Chapter 29, Section 6B](#) (Federal grant funds) and [Administrative Bulletin A & F-3](#) (Federal Grant Administration) provide the authorization and guidance for the participation of a department to apply for a federal grant. This law regulates the policy and procedures that departments must follow prior to going through the federal application process. It covers the main aspects of the "notification to apply" process: Administrative Bulletin A & F-3, Federal Grant Administration, outlines the requirements of Chapter 29:6B in a more readable and useable format.

The Cash Management Improvement Act (CMIA) provides the general rules and procedures for the efficient transfer of federal financial assistance between the federal government and the states. The Cash Management Improvement Act Agreement between the Commonwealth of Massachusetts and the Secretary of the Treasury, in the United States Department of the Treasury, is known as the Treasury-State Agreement (TSA). Each year, the Commonwealth enters into a TSA with the Financial Management Service (FMS), U.S. Treasury. Programs (CFDA#s) required to be included in the agreement are those that meet the major program definition in the Statewide Single Audit. The Treasury-State agreement may be negotiated by the Office of the Comptroller (CTR) for a five-year period, but must be amended annually as programs meet or fail to meet, based upon a \$30,000,000 threshold of federal assistance during the previous fiscal year per CFDA#.

### **Federal Grant Management Calendar**

August 31, 2012	The State FY2012 Accounts Payable Period ends.
September 2, 2012.	All FY2012 Federal Grant Appropriation Accounts Payable Period expenditures must be scheduled for disbursement no later than 9/15/12.
September 15, 2012	The final Federal FY2012 ACD batch cycle will be processed. This cycle must include all of the necessary transactions to ensure that all federal grant BQ89 Unexpended Balances are zero.
October 31, 2012	FY2012 balances in Federal Grants accounts will be balanced forward.

### **Establishing/Modifying a Categorical Federal Grants in MMARS**

Specific guidance on how to establish/modify categorical federal grants is available in the [Federal Grants and Cost Allocation](#) section of the Comptroller's Web Portal.

### **Categorical Federal Grant Management**

Categorical Federal Grants are defined as any financial assistance available to a state agency from the United States Government, distributed through a congressionally defined formula or awarded through a competitive process. The Commonwealth receives federal grant financial assistance from two different processes: (1) Automated Central Draw (ACD) and (2) Non-Automated Central Draw (NCD). The ACD process is an integrated MMARS process that nightly selects eligible financial and payroll transactions and creates a weekly bill to the federal payment agencies. The NCD process is a manual process that the department manages the draw request to the federal payment agencies.

*Departments must submit specific documentation that supports establishing a Categorical Federal Grant in MMARS under the Non-Automated Central Draw (NCD) Process. These NCD Categorical Federal Grant requests will be reviewed by CTR to ensure that they contain specific prohibitive language that exempts them from being processed via the Automated Central Draw (ACD) Process.*

To properly manage their Categorical Federal Grants, departments should monitor their grant activity on a weekly basis to that ensure that draw requests are drawn on a timely basis. CTR will perform the ACD draws requests (on behalf of state agencies) on a weekly basis based on system generated weekly bill to the federal payment agencies. Departments are responsible to draw NCD Categorical Federal Grant funds on the schedule documented in the federal grant guidelines. NCD funds must be drawn at a minimum of monthly scheduled to avert a negative cash flow position for the Commonwealth.

MMARS provides two functions that ensure a department does not over spend the Categorical Federal Grant award amount and reference the designated appropriation account. (1) The VPA Table functionality establishes the Valid Program/Appropriation/Transaction combinations for each Categorical Federal Grants and (2) The Reimbursable Grant Budget (Structure 88) allows the entry of a Budgetary Constraint that prohibits the department from processing expenses that will exceed the Program Award amount.

### **Federal Grant Appropriation-Negative Unexpended Balance Reconciliation**

State Finance Law (General Laws Chapter 29 § 26) requires that all appropriations (regardless of type) "shall not exceed the appropriations made therefore by the general court or the allotments made therefore by the governor." To carry this directive forth departments are required to ensure that revenue for all federal grants is sufficient to make expenditures and payroll transactions from appropriations approved by the General Court. Federal Grant Appropriations allow for

expenditures to be processed prior to the supporting revenue being posted to MMARS. This results in the Federal Grant Appropriations having a Negative Unexpended Amount. However, to successfully close the fiscal year, all FY2012 Federal Grant Appropriations must have a BQ89 Unexpended Balance of zero. If a Federal Grant Appropriation remains in a Negative Unexpended Balance status after the deadline **(Saturday, October 6, 2012)** the Comptroller reserves the right to prohibit any further spending from the appropriation account. **All EX documents for Federal Grant Appropriation-Negative Unexpended Balance Reconciliation must be processed to "Done" by Friday August 31, 2012.**

The federal grant weekly reconciliation exercise is the vehicle of ensuring that sufficient revenue has been received to fund federal grant expenditures.

**Department CFOs must resolve all negative Unexpended balances by identifying a valid funding source for all Federal Grant Appropriations (appropriation type 4FN) expenditures. The reconciliation exercise should include the following steps:**

- (1) Identification of all Negative Unexpended Appropriations**
- (2) Determine if draw revenue is in transit to be posted to MMARS**
- (3) Determine if draw has not been performed.**
- (4) Determine if draw is rejected and if so, a remediation plan is being developed.**
- (5) Determine if draw revenue has been incorrectly posted in MMARS.**
- (6) Identification of a Beginning Balance and/or Balance Forward issue.**

**If a department cannot identify any valid funding source: (1) the department may have to file for a supplemental appropriation, or (2) the department may have to transfer funds from an administrative appropriation to fund the deficiency. In either case departments must notify the Federal Grant and Cost Allocation Bureau of the Office of the Comptroller immediately if the situation exists.**

### **Cross Fiscal Year Transaction Posting**

ACD revenue transactions will be automatically created and posted to MMARS consistent with the Budget Fiscal Year of the source expenditure disbursement document. It is the responsibility of the department to ensure that the Office of the State Treasurer deposits all NCD revenue to the fiscal year consistent with the expenditure disbursement document.

### **Buyer – Seller Department Relationship**

It is ultimately the Buyer department's responsibility to manage the grant award, as they are the signatories on the grant. However, it is the collective responsibility of both the Buyer and Seller department to monitor the grant activity as well as to resolve all FY2012 Negative Unexpended balances. It is the Buyer department that needs to communicate with a Seller if the Seller department is on non-central draw and is drawing independently of the Buyer. If a Buyer is drawing federal funds on behalf of the Seller, and the Seller has a negative balance, it is prudent that the Seller communicate with the Buyer about the deficiency and to work with them clear the account. It is recommended that the Buyer Department be the singular voice communicating with the Office of the Comptroller to clear these issues.

The Office of the Comptroller, Federal Grant and Cost Allocation Bureau is committed to working collaboratively with you to assist with remediation guidance, research, analysis, plan development and implementation. For detailed information on your draw request or guidance on how to reconcile categorical federal grants please refer to the [Federal Grants and Cost Allocation page](#) of the Comptroller of the Commonwealth (CTR) website.

## Cost Allocation Unit

The CTR Cost Allocation Unit prepares and negotiates Federal approval of the Statewide Cost Allocation Plan (SWCAP), the Schedule of Expenditures of Federal Awards (SEFA), the Fringe Benefit Rate, the Payroll Tax Rate and the Departmental Indirect Cost Rate Rates. In addition, the Unit manages the Commonwealth's MMARS Cost Allocation Process, including the Fringe Benefit, Payroll Tax and Indirect Cost automated monthly chargeback.

## Cost Allocation Calendar

July 07, 2012	The Period 12 MMARS automated monthly chargeback Cost Allocation Process, including the Fringe Benefit (D09), Payroll Tax (D09) and Indirect Cost (E16) will be run.
July 27, 2012	Periods 1-12 reconciliation of the <b>fringe benefits, payroll taxes and indirect costs</b> . The reconciliation may result in the creation of additional reconciling CAs that will ensure that charges are consistent with approved rates. The CTR Cost Allocation Unit will communicate with CTR's General Accounting Bureau and your department to assist in the final adjustment process
July 27, 2012	All rejected CAs (periods 1 -12) must be processed to done.
As of July 31, 2012	All contractual limitation refunds associated with indirect cost rate assessments through Period 12 will be completed.
September 8, 2012	The Period 13 MMARS automated monthly chargeback Cost Allocation Process, including the Fringe Benefit (D09), Payroll Tax (D09) and Indirect Cost (E16) will be run. Departments must ensure that funds to cover these final charges are adequately budgeted for the assessable Period 13 expenditures. In addition, the Program table and the BQ88 tables must be properly established to accept these charges
September 14, 2012	All rejected Period 13 CAs must be processed to done.
As of September 21, 2012	All contractual limitation refunds associated with indirect cost rate assessments in Period 13 will be completed.

## Recovery of Fringe Benefits, Payroll Taxes and Indirect Costs

[Fringe Benefits, Payroll Taxes and Indirect Costs \(ANF 5\)](#) *Fringe Benefits, Payroll Taxes and Indirect Costs* requires departments to budget fringe benefits, payroll taxes and indirect costs on all Federal grants and non-budgeted special revenue and trust accounts. The monthly automated MMARS Cost Allocation Process will run on the first or second Saturday of the month. All eligible expenditures processed in the preceding open Accounting Period will be subject to the assessment of fringe benefits, payroll taxes and indirect costs. Upon completion of the monthly automated MMARS Cost Allocation Process the preceding Accounting Period is closed.

Departments should ensure that the budget structure tables for appropriated (payroll tax only), federal grants and other non-budgetary accounts are properly established for these charges to post without rejecting under object codes D09 (fringe benefits and payroll taxes) and E16 (indirect costs).

System generated Cost Allocation (CA) Transactions used to assess Fringe Benefits, Payroll Taxes, and Indirect Costs do not require an encumbrance and are processed with MMARS specific automatic overrides that could result in a negative Uncommitted Balance.

To prevent a negative Uncommitted Balance, Department CFOs should ensure that there is adequate funding budgeted and available to allow for these assessments. This funding should be available for all Chart of Account (COA) elements (appropriation, unit, program, object class, etc.) and established on their respective budget structure tables.

Should a negative Uncommitted Balance occur, Department CFOs must coordinate the resolution as soon as possible.

### **Fringe Benefits and Indirect Costs on ISA Seller Budget Lines**

This is a reminder that Seller budget lines in all account types that include compensation to regular employees (object class AA), and contracted employees (CC) supported by an ISA, must also include the DD (D09) object class. This is necessary to cover mandated chargebacks for employee pension, health insurance, and terminal leave expenses from Federal Grants, expendable trusts, capital accounts and all other non-budgetary accounts to reimburse the General Fund and to cover the cost of Unemployment Compensation (UI), Universal Health (UHI), and the employer share Medicare Insurance (MTX). See [Comptroller Memo FY2011-04](#) for the object code salaries subject to the fringe benefit and payroll tax rates. Indirect Costs will also apply to Non-Budgetary ISAs with the exception of funding from capital accounts. Please contact your CFO for information on the rate and object code expenditures subject to indirect cost charges under your department's current Indirect Cost Rate Agreement.

### **Schedule of Expenditures of Federal Awards**

The Schedule of Expenditures of Federal Awards (SEFA) is reported to the Federal Government and is part of the Single State Audit. The report consists of cash basis expenditures and reimbursement of certain federal assistance programs as reported on MMARS. It is comprised of the catalog of federal domestic assistance numbers (CFDA #) and also includes special programs administered by the Commonwealth.

June 1, 2012	GAAP Special Correspondence Letters (requesting expenditure and/or programmatic data) are sent to departments.
June 30, 2012	GAAP Special Correspondence Letters are due to CTR
July 20, 2012	CTR complete MMARS SEFA expenditure data
August 31, 2012	The FY2012 Accounts Payable Period ends.

GAAP Special Correspondence Letters are typically sent to the following agencies:

DOE	USDA Donated Food program (include breakfast and milk programs - Value of donated food received and delivered)
DPH	Childhood Immunization Grant - Value of Vaccine
DTA	Food Stamp Program - receipts and redemptions
EOL	Unemployment Program - total amount unemployment paid out (cash basis)
MRC	(1) Social Security - Disability Insurance Program, (2) Social Security - Supplemental Security Income Disability Program
OCD	Moving to Work Demonstration program (split-out between Section 8 Programming and Transition programming)

## Section Five Vendor/Customer

### Section Introduction

This section highlights Vendor and Customer management during the FY2012 closing and FY2013 opening process. The Vendor/Customer Table (VCUST) is not fiscal year driven. The CTR web portal provides access to policies and procedures and should be consulted for routine business.

Departments must manage Vendor/Customers in accordance with the [Vendor/Customer File and W9s](#) policy.

### W-9 Certification

In order to receive payments from the Commonwealth, a vendor must be registered in the Vendor/ Customer Table (VCUST) of the state accounting system (MMARS). Departments are required to obtain a completed Massachusetts Substitute W-9 Form (Request for Taxpayer Identification Number and Certification) or an appropriate W-8 Form Series (W-8BEN, W-8ECI, W-8EXP and W-8IMY) for all foreign vendors.

For Vendor registrations, departments should enter the vendor's information through a Vendor Customer Creation (VCC) transaction based on the W9 form information from the vendor. A Vendor should have a legal name, address and a Tax Identification Number. A TIN will either be:

- A Social Security Number (SSN) issued by the Social Security Administration (SSA) for individuals or
- An Employer Identification Number (EIN) issued by the IRS for sole proprietorships, trusts, estates, partnerships, corporations, non-profit organizations, and public entities.

For Customer registrations departments should make every effort to obtain a W-9. When entering a VCC/VCM for a customer, remember to put CUST in the first four positions of the document identification number.

To mitigate against potential fraud and/or abuse CTR, has implemented a post review process to validate vendors' legal name, TIN, and address against the IRS's TIN Matching System. Any anomalies will be directed back to responsible departments for resolution.

- **New VCCs** – ensure that the payee is actually a new vendor that does not already have an existing vendor code on MMARS. Not all vendors know that they are already registered on the VCUST table. A search of the taxpayer identification number (TIN), either the social security number (SSN) or employer Identification number (EIN), should identify if the payee has a current vendor code.
  - Departments should ensure that the payee has submitted a TIN (SSN or EIN) with a legal name and address that match what they have already filed with the IRS and DOR. Many entities have a legal name and “doing business as” (“DBA”) with a different operational names. The legal name should be the name listed in VCUST. If the entity also needs a DBA name printed on the check, this should be entered in the “Division/Department” field in the “Payment” and “Procurement” addresses. If the legal name or TIN is not entered correctly, the Commonwealth may receive a B-Notice from the IRS due to mis-match with the IRS record. If a vendor fails to respond to a B-Notice notification, CTR will inactivate their vendor code until they respond. Correcting a vendor code that has been entered incorrectly requires modifications by the Department and a submission of the appropriate information to the Comptroller.



- **Multiple EFT Addresses** - One Vendor Customer Code (VC#) with multiple EFT accounts.
  - MMARS allows a vendor code to have more than one EFT account. This process can be approved through a VCC (Vendor Customer Creation) or a VCM (Vendor Customer Modification). Instructions can be found in the job aids on the [Comptroller Intranet](#).
- **VCMs** - Departments should always look up the vendor in MMARS to verify the current information and to obtain the necessary supporting documentation for the requested change. No legal address, payment address, tax id, legal name or structure changes should be made unless an authorized signatory of the payee has submitted an updated W-9 or other acceptable supporting documentation.
  - Special care must also be taken when a payee requests payment to be sent to a different **payment address** (address, other than the legal address where tax reporting is made) or to another bank account to ensure the address or bank account is verified by an authorized signatory of the payee with sufficient back up documentation. This verification is necessary to ensure that payments are not fraudulently diverted to another address or bank account.

Like any other MMARS transaction, when a department submits a VCC or VCM to pending status, the authorized department head signatory is certifying that the document is accurate and complete, and that they have verified the information in the VCC or VCM. Merely obtaining a W-9 is not enough. Departments are responsible and in the best position to verify the accuracy of payee information because they are working directly with the payee and must take whatever steps are necessary to verify information. By accepting W-9s and updates only from authorized signatories, verifying the signatures match the [Contractor Authorized Signatory Listing](#) Form (CASL) or some other verification, departments assist with reducing the risk of misdirecting payments to the wrong payee or address, delaying payments or inadvertently allowing fraudulent payments.

See: [Contractor Authorized Signatory Listing Policy](#).

### **Keep the Vendor Customer File Current**

Each year the Commonwealth produces approximately 30,000 Form 1099s. A significant number of these forms are returned as undeliverable because we have incorrect address information in the 1099I Table. When vendors are paid via electronic funds transfer (EFT) the departments continue to be responsible for updating all pertinent business information. These errors can be minimized by ensuring that the vendor's legal address is updated properly and in a timely manner via VCM in accordance with the [Vendor/Customer and W-9 Policy](#).

### **Prompt Pay Discounts (PPD)**

MMARS allows departments the ability to enter discount pricing percentages that will automatically calculate discounted payment amounts. Vendor discount information should be entered at one of two levels:

- At the encumbrance level
  - Statewide Master Agreement (MA) contract discount terms managed by OSD; and
  - Departments can enter terms negotiated for a specific contract encumbrance.
- At the payment level – if noted on a vendor's invoices, it should be entered on the individual payment.



Discount precedence applies when discount information is entered in more than one level. A discount at the payment request (PRC or GAX) level supersedes an encumbrance level discount. Please see the [Prompt Pay Discounts Policy](#).

## **Unpaid Checks**

We are continuing to make 1099 corrections because either a check was never received or the vendor returned a check to the departments for a valid reason. The ER, CEC or GAEC must be vendor specific and processed in a timely manner so that the tax reportable payment is reversed.

Departments must avoid situations that would allow checks issued in one tax year to be held until the next tax year. Departments must make sure that no checks are held longer than one day. Checks must be deposited on a timely basis to avoid erroneous tax reportable payments appearing in the Form 1099s issued to vendors.

## **DISRQ and DISBDQ**

In MMARS scheduled vendor payments can be viewed on the Disbursement Request Table, (DISRQ). Issued vendor payments can be viewed on the Disbursement Detail Query Table, (DISBDQ) with several criteria as search options.

## **MMARS Document ID Numbering**

MMARS document IDs must be composed of numeric or alphanumeric characters only. Department use of symbols, spaces and other non-alphanumeric characters may result in transactions becoming "locked". This means that transactions on "pending" status cannot be opened and reviewed for processing. Furthermore, document IDs that contain symbols or spaces cannot be retrieved in warehouse queries and query-based reports. If departments choose not to use the auto-numbering feature in MMARS, they should conform to the alphanumeric standard, and make the document ID meaningful to the department. Please note that No Individual/personal information should be used in creating document ID.

## **VendorWeb**

Vendors can see their scheduled payments and payment history by logging into [VendorWeb](#) on the [CTR Web Portal](#), which lists the tentative scheduled payment date for Scheduled Payments or the actual payment date, payment number, vendor invoice number, contract number, line amount, any associated text information and the department making the payment in the Payment History section. To login; a vendor is required to enter the VCUST code as well as the last 4 digits of the TIN i.e. the vendors' EIN or independent contractor's SSN.

Departments can view VendorWeb data using the "Vendor Lookup" feature located in the "Online Services" box on the [Comptroller Intranet](#). The Vendor Lookup allows departments to search by vendor code or vendor name, and the last four digits of the TIN are no longer required to see scheduled or actual payments made to the vendor.

## **Section Six**

### **Contracts and Tax Management**

#### **Section Introduction**

This section provides detailed guidance/reminders/highlights in managing contracts and tax issues during FY2012 Closing and FY2013 Opening. It also reminds departments of State Finance Law requirements. Detailed job aids, policy information, eUpdates, the Expenditure Classification Handbook, tax requirements, etc., can be found on the [Comptroller](#) website.

#### **State Finance Law Reminder**

State Finance Law requires funding be in place before goods, services or other obligations can be incurred from contractors, vendors, or employees. Specifically, under [M.G.L. c. 29, § 26](#); [M.G.L. c. 29, § 27](#); and [M.G.L. c. 29, § 29](#), departments may not incur a liability for the Commonwealth in excess of their appropriation or allotments and the Comptroller may not permit the disbursement (payment) or incurring of an obligation (encumbrance) by departments without a sufficient appropriation and allotment being in place.

#### **Tax Management**

Departments are required to comply with the [Expenditure Classification Handbook](#) to ensure the appropriate object class/code is being used for all encumbrances. Intentionally misclassifying expenditures is a state finance law violation (See [MGL – C. 29, §. 66](#)). The object class/code defines the tax treatment of expenditures. Using the appropriate object class/code will enable the Commonwealth to prepare correct tax forms to file for the tax year. An inappropriate object class/code usage will require corrective action by the department or CTR dependent upon circumstances (e.g. CR, ER, EX, 1099 correction).

Departmental staff should review the annual CTR memo titled; “Issuing and Filing IRS Forms 1099 for Tax Year 2012” and adhere to the directions and deadlines outlined in the memo.

#### **Ensuring Vendor Records Are Accurate To Minimize Undeliverable 1099 Forms:**

Departments must ensure the legal and remittance address, classification and TIN type (SSN/EIN) are reported correctly on the 1099I and VCUST tables in MMARS.

Each year the Commonwealth produces approximately 30,000 Form 1099s. A significant number of 1099s are returned as undeliverable due to incorrect address information in the VCUST and/or 1099I table on MMARS. Even if vendors are paid via electronic funds transfer (EFT), departments continue to be responsible for updating all pertinent business information with VCC or VCM transactions in MMARS.

When a department submits a VCC or VCM transaction to pending status, the authorized department signatory is certifying that the document is accurate and complete and that they have verified the information in the VCC or VCM. Departments are in the best position to verify the accuracy of vendor/payee information because they work directly with the vendor/payee and can take necessary steps to verify information. By accepting Forms W-9s and W-8s and updates only from authorized signatories and verifying the signatures match the [CASL Form \(Contractor Authorized Signatory Listing\)](#) or other approved verification, departments assist with reducing the risk of directing payments to the wrong payee or address, delaying payments, tax reporting, or inadvertently allowing fraudulent payments. See Section Five for [W-9 Certification](#).

### **1099 Implications If ERs and EXs Are Not Processed Timely**

When corrections are needed, especially at the change of a calendar year, departments must complete transactions timely in MMARS and be aware of tax reporting implications. Departments must make sure that no checks are held longer than one business day. Checks must be deposited and Expenditure Refund (ER) transactions processed in a timely manner to avoid possible erroneous tax reportable payments appearing on 1099 Forms. Departments should also be diligent about processing Expenditure Corrections (EXs) to avoid posting 1099 tax data to the wrong tax year in MMARS. If ERs and EXs are processed after the tax year cutoff date, they may lead to 1099 corrections. All EXs that are tax reportable should contain the vendor name, tax identification number (TIN) and the appropriate object code impacted by the correction.

See Section Three—Managing Appropriations, [Expenditure Correction \(EX\) Policy](#), and [Expenditure Refund \(ER\) Policy](#).

### **Department Head Signature Authorization (DHSA)**

A Department Head may delegate signature authority personally to Department employees who will be responsible for conducting business on behalf of the Department Head in accordance with applicable law, regulations, policies and procedures. Department head signature authorization may NOT be delegated to a “contract” employee, to any “non-employee” (such as a consultant, or employee of an outside entity, an Authority or quasi-public agency) or to an employee of another department since these individuals may NOT act as agents of the Department Head.

For further guidance on Department Head Signature Authorization see the following policies: [Department Head Signature Authorization and Electronic Signature in MMARS Policy](#) and [Delegation of MMARS Document Processing Authority and Quality Assurance](#).

### **Contractor Authorized Signature Listing (CASL)**

Contracts (including grants, leases, subsidies, etc.) must be executed by an authorized signatory of both the department and the contractor. Based upon recommendations from the Office of the Attorney General (AGO), a department is required to take reasonable steps to verify that a contract, including the applicable Commonwealth Terms and Conditions, has been executed by an authorized signatory of the contractor and to authenticate that the signature that appears on the contract was actually made by the authorized signatory and not a representative.

For further guidance on Contractor Authorized Signature Listing see the following policy: [Contractor Authorized Signatory Listing](#). Also, a department may use the [Contractor Authorized Signatory Listing](#) form issued by CTR or any comparable form, provided the contractor certification language appears on the comparable form.

### **Contract Submission and Status Reminders**

Contract submissions to CTR’s Accounts Payable Bureau (APB) Contracts Unit are required to be mailed or delivered. Faxed or scanned submissions are for emergency use only and require a request to your contract liaison prior to submission.

When a pending transaction is rejected by CTR, the reason for rejection is noted in the Document Comments Field of the transaction and an e-mail is sent to the department’s MMARS Liaison and to the Department Contact on the CTR Contract Transmittal Form. As part of a department’s daily document catalog management, a department should look for these rejected transactions, review the comments provided for the current version and take the appropriate corrective action to resolve the problem.

When submitting a correction in response to a document comment/e-mail indicating an issue with the transaction or contract back up documentation, please direct the correction to the CTR Contract's Unit staff who contacted you regarding the issue. If a contract submission is not processed within 5 business days (7-10 business days during close/open period), please contact your CTR Contract Liaison. Here is a link to the listing of [Contract Liaisons](#). Do not forward a duplicate copy unless your liaison has requested you to do so. When resubmitting a contract to CTR, please clearly mark it as a resubmission on the Contract Transmittal Form.

### **Electronic Funds Transfer (EFT)**

Departments are reminded that Electronic Funds Transfer (EFT) is the mandated method of payment for vendors entering into contracts with the Commonwealth. All contract vendors were expected to begin acceptance of electronic payments by December 31, 2011. At the opening of FY2012, it was announced that EFT is the required payment method for all contract vendors and for any Vendors who receive 4 or more payments per year. All contracts that reach a Pending status on MMARS have the vendor's payment method status verified prior to processing. The encumbrance will not be processed until EFT is confirmed. For contracts under a department's delegation level, compliance will be evaluated with reports being issued for department action, if any is needed.

### **Prompt Payment Discount (PPD)**

Departments are reminded to include Prompt Payment Discount (PPD) options as part of overall contract negotiation when entering into new contracts, renewals or amendments. Negotiating for PPD is advantageous to both vendors and departments because vendors benefit from prompt payment providing them with uninterrupted cash flow for commodities delivered or services rendered. The Commonwealth benefits because the cost for products/services are reduced by taking advantage of the agreed upon discounts. If a department is making a payment that includes discount terms, it is crucial that invoices (payments) should be processed consistent with the discount terms in order to earn the highest possible discount savings. Departments are also reminded to check the statewide master agreements to identify the PPD options available from that contract and make sure that payment requests are submitted to take advantage of the greatest amount of savings allowed.

### **Records Management**

Pursuant to [815 CMR 10:00 Records Management of Bills, Vouchers and Contracts](#), departments have been designated the legal record copy keeper of all original contracts and any supporting documentation. This policy governs all contracts, grants, Interdepartmental Service Agreements (ISAs) and amendments, which use the BGCN/BGCS, IE, CT, RPO, PC, GAE, or RQS/GAP MMARS pre-encumbrances, encumbrances and the following supporting payment request documents: PRC, PRM, GAX, INP, IET and EA documents, or any other transaction necessary to process a contract or associated payment in MMARS.

Records Management includes maintaining the complete original record copy of a contract and associated supporting documentation for the required retention period and then archiving the document in accordance with the records retention schedule published by the Records Conservation Board of the Secretary of State's Office (SEC). See [SEC Statewide Records Retention Schedule](#).

- CTR maintains the MMARS electronic record copy of transactions and will be responsible for retaining and archiving these records for all departments.
- CTR maintains original record copies of W-9 Forms, Commonwealth Terms and Conditions, Commonwealth Terms and Conditions for Human and Social Services and Electronic Fund Transfer (EFT) Authorization form. These originals must continue to be submitted to CTR to register a vendor for

contracting. Departments should retain copies of these documents when provided as back up documentation to the contract files.

- Record retention periods are determined by the “type” of record and not the MMARS transaction. For example, contract documentation must be retained for six years following the last contract payment. Therefore, contract records should not be retained according to the MMARS transaction of the contract. See [SEC Statewide Records Retention Schedule](#).

Please see the [Amendments Suspension and Terminations](#) Policy for further detail and guidance on the following:

- Exercising contract renewal options;
- Extending contracts – limited thirty-day contract extension; and,
- Contract Settlement payments and prior year deficiencies (PPD).

For further detail and guidance on Contract Settlements and Prior Year Deficiencies please see policy chapters for Accounts Payable, including Commonwealth [Bill Payment Policy](#).

### **Delegation of MMARS Processing Authority**

The chart below represents current MMARS document processing delegation limits. These limits are set by document type. For additional guidance, please review CTR’s policy documents on the CTR Web Portal [Delegation of MMARS Document Processing Authority and Quality Assurance](#).

<b>MMARS Document</b>	<b>Delegation Limit for Total Duration of the Document</b>
PC (Commodities)	\$150,000
CT (Services)	\$500,000
RPO (Ready/Recurring) (Services/Leases)	\$500,000
GAE/INP (Incidental Purchases)	\$5,000*

\*Consultant services governed by M.G.L. c. 29, §. 29A (certain HH, NN and UU object codes), do not require a procurement for purchases less than \$5,000. However, secretariat approval is required for all purchases greater than \$1,000. Further guidance can be found in the Operational Services Division (OSD) policy guidance document [Incidental Purchasing Policy Guidance](#) .

MMARS delegation is limited to transaction processing only. Departments are able to process MMARS transactions without secondary review by CTR/OSD, and are responsible for procuring and contracting in accordance with applicable State Finance and procurement Laws, regulations and policies. The Quality Assurance Bureau performs site visits to monitor and assist departments to ensure full compliance.

Departments must be able to document and verify that all purchases have been made in accordance with prescribed laws, regulations, policies and procedures to ensure the most cost effective (“best value”) use of Commonwealth funds. Departments may not manipulate contracts or contract amendments to avoid secondary review by CTR/OSD for encumbrances exceeding

the delegation limit (e.g. splitting contracts or contract amendments or encumbering less than the maximum obligation of a contract).

### **Multi-Year Encumbering**

Below is a chart that illustrates the two options available for entering a multi-year CT or PC encumbrance transaction in MMARS. **NOTE:** This does not apply to RPO documents. Each Fiscal Year on an RPO must be entered with separate commodity lines.

Multi year encumbrances must be supported by a multi-year contract and the document ID number of the associated MMARS transaction must remain the same throughout the life of the encumbrance and any of its renewal options.

<b>SCENARIO #1 – Multi year encumbrance with a Commodity Line for each budget fiscal year.</b>		
The CT total amount is \$75,000.		
Commodity Line 1		Accounting Line 1
Line Amount: \$50,000		Line Amount: \$50,000
Service From/To: 7/1/12 - 6/30/13		BFY2013
		Event Type: PR05
		Reserved Funding: NO
Commodity Line 2		Accounting Line 1
Line Amount: \$25,000		Line Amount: \$25,000
Service From/To: 7/1/13 - 6/30/14		BFY2014
		Event Type: PR08
		Reserved Funding: YES
<b>SCENARIO #2 – Multi year encumbrance with one Commodity Line for the full date range of the encumbrance.</b>		
The CT total amount is \$75,000.		
Commodity Line 1		Accounting Line 1
Line Amount: \$75,000		Line Amount: \$50,000
Service From/To: 7/1/12 - 6/30/14		BFY2013
		Event Type: PR05
		Reserved Funding: NO
		Accounting Line 2
		Line Amount: \$25,000
		BFY2014
		Event Type: PR08
		Reserved Funding: YES
Note: in both scenarios, Fiscal Year & Period dependent upon CT date of submission.		

## CLOSING

### Introduction

This section provides relevant encumbrance management guidance to assist departments in finalizing fiscal year-end business.

### FY2012 ANF Year End Encumbrance Review Requirement

Beginning on Saturday, May 12<sup>th</sup> 2012, for the departments and transactions listed in the chart below, prior approval from ANF will be required for processing encumbrances **with a total of \$25,000 or more in a budgetary account**. This includes appropriation types 1CN, 1CS, 1RN, 1RS, 1IN, and 1IS. ANF approval will **not** be required for transactions in budgetary accounts totaling less than \$25,000 or for transactions funded with capital, federal or trust accounts, which are appropriation types 2CN, 3TN, 3TX or 4FN; nor for transactions submitted by departments not on the list below. NOTE: Appropriation type is identified on each account's record on the MMARS APPR table.

**NOTE:** Do not submit contract paperwork to ANF. Approval by ANF must be sought thru ANF's Platform program. See additional information below.

CT	Contract Transaction	PH	Payroll Hold*
GAE	General Accounting Encumbrance	RPO	Recurring Payment Order
PC	Commodity Purchase Order		

AGR	CAD	CSC	DOB	DOT	EDU	ENV	HCF	MCD	ORI	RGT	WEL
ALA	CDA	DCP	DOC	DPH	EEC	EOL	HLY	MIL	OSC	SCA	
ANF	CHE	DCR	DOE	DPS	EED	EPS	HRD	MMP	OSD	SEA	
ATB	CHS	DFS	DOI	DPU	EHS	EQE	ITD	MRC	PAR	SOR	
BLC	CJT	DMH	DOR	DSS	ELD	FWE	LIB	OCD	POL	TAC	
BSB	CME	DMR	DOS	DYS	ENE	GIC	MCB	OHA	REG	VET	

#### **CTR/OSD Procedure for Processing Year End Encumbrance Transactions May 12<sup>th</sup> 2012 through June 30<sup>th</sup> 2012**

Beginning on Saturday, May 12th, CTs, RPOs, GAEs and PCs processed in any appropriation type, by Departments under the ANF Year End Encumbrance Review Requirement, will go to workflow if the actual amount in the Header section of the encumbrance is greater than or equal to 25K. The 25K threshold rule will apply regardless of whether the Department is increasing the encumbrance transaction by \$10 or \$25,000. Please refer to the following chart for guidance.



## CTR/OSD PROCEDURE FOR PROCESSING ENCUMBRANCES DURING ANF YEAR-END >\$25k RULE

**Executive Agencies (see list on page 35 of the Close/Open Instructions)**

### **CT & RPO Transactions**

Amended or new encumbrance amounts that total \$25K or more within budgetary funds (1CN, 1CS, 1IN, 1IS, 1RN, 1RS) in BFY 2012 accounting lines.

CTR will run daily queries of transactions in Pending and any transaction approved on the ANF platform will be processed generally within 3-7 business days. No paperwork is needed if the contract value is less than \$500K. If the contract is \$500K or more, supporting contract documentation must be sent to CTR for processing. If a department does not have ANF approval, the document will be rejected with a reason added to document comments field.

Amended or new amounts that total \$25K or more within capital, trust or federal funds (2CN, 3TN, 3TX, 4FN)

No ANF approval is required. CTR will run daily queries of transactions in Pending and any transaction will be processed generally within 3-7 business. No paperwork is needed if the contract value is less than \$500K. If the contract is \$500K or more, supporting contract documentation must be sent to CTR for processing.

### **GAE Transactions**

Amended or new encumbrance amounts that total \$25K or more within budgetary funds (1CN, 1CS, 1IN, 1IS, 1RN, 1RS) in BFY 2012 accounting lines.

CTR will run daily queries of transactions in Pending and any transaction approved on the ANF platform will be processed within 3-7 business days depending on the volume. No paperwork is needed. If a department does not have ANF approval, the document will be rejected with a reason added to document comments.

Amended or new amounts that total \$25K or more within capital, trust or federal funds (2CN, 3TN, 3TX, 4FN)

No ANF approval is required. CTR will run daily queries of transactions in Pending and any transaction will be processed generally within 3-7 business days.

## **OSD**

### **PC Transactions**

Amended or new encumbrance amounts that total \$25K or more within budgetary funds (1CN, 1CS, 1IN, 1IS, 1RN, 1RS) in BFY 2012 accounting lines.

ANF approval is needed on the platform but no paperwork is needed if the contract value is less than \$150K. Send Elaine LaMonica an email to process and OSD will process to final within 3 to 7 business days depending on the volume. If the contract is \$150K or more, supporting contract documentation must be sent to **OSD** for processing. If a department does not have ANF approval, the document will be rejected with a reason added to document comments.

Amended or new amounts that total \$25K or more within capital, trust or federal funds (2CN, 3TN, 3TX, 4FN)

No ANF approval is needed. No paperwork is needed if the contract value is less than \$150K. Send Elaine LaMonica an email to process and OSD will process to final within 3 to 7 business days depending on the volume. If the contract is \$150K or more, supporting contract documentation must be sent to **OSD** for processing.

**\*NOTE: Requests for PH (Payroll Holds) need to be forwarded to the CTR's Payroll Bureau.**

In preparation for the FY2013 contract roll for RQS, RPO, CT and PC documents, there will be an encumbrance processing suspension in effect Thursday, May 31<sup>st</sup> – Sunday, June 3<sup>rd</sup>.

Departments should not expect any discretionary encumbrance transactions involving increases of \$25,000 or more in budgeted fund accounts to be approved in June. However, in rare instances, some encumbrances may need to be processed during June even though every reasonable effort must be made to avoid this.

ANF's Budget Director has issued specific guidance on the process for requesting ANF's approval of late transactions using budgeted fund accounts. (<http://www.anf.state.ma.us/>). When here, under Budgetary Memos click on Encumbrance Deadline – FY2012.

## **ANF Platform**

To access the ANF Platform program, it must first be installed on your desktop. Please go to the Commonwealth of Massachusetts Administration and Finance website for [instructions](#) on how to install the application. After installing it, double-click on the icon on your desktop. You will be prompted for your ID and password, which are the same as the ones you used to complete spending plans this year. To enter a new request, or to review the status of a request, click on the Platform menu and the option "Late Encumbrance Requests". To add a new user, please contact [Thong Tran](#) at ANF at (617) 727-2081 ext. 35431.

## **Encumbrance Contract Management**

During the final quarter of the fiscal year, departments should perform timely reviews to ensure all FY2012 encumbrances and Interdepartmental Service Agreements (ISAs) are in place to support departmental business needs. Departments should plan accordingly to complete all encumbrances in MMARS and ISAs by Friday, June 8th, 2012. The remainder of FY2012 should be used to handle final adjustments. The last day for FY2012 encumbrance processing is Saturday, June 30, 2012.

## **Late Encumbrance Processing Monday 7/2 – Friday 8/31**

Departments should review their financial status to ensure that there will be sufficient funding encumbered to cover all commitments incurred during the fiscal year. CTR and OSD will only accommodate late encumbrances (decreases and increases) due to unforeseen circumstances. These encumbrances will workflow either to CTR or OSD (if PC transaction – see note below).

- CT, RPO and GAE transactions will workflow to CTR's Accounts Payable Bureau, Contracts Unit. This includes ISA related BGCS and BGCN documents as well. See a sample late encumbrance request template at the last page of this section for Departments to use when submitting a request. Departments should insert the template on their letterhead and complete all of the information. Attach the contract/amendment package, if applicable.
- For late encumbrance CT, RPO and GAE modifications that are decreases only, an authorized department signatory can send an email with an explanation to [Comptroller.contracts@massmail.state.ma.us](mailto:Comptroller.contracts@massmail.state.ma.us).
- The PC transaction workflows to OSD. Requests for processing should be addressed to Elaine LaMonica when the encumbrance total is less than \$150,000 and to the applicable Procurement Team Leader (PTL) when the encumbrance total is \$150,000 or greater. See link to the OSD directory to assist in identifying the applicable PTL - [OSD Directory](#).
- The PH transaction workflows to CTR's Payroll Bureau. The PH document must include a justification for the late encumbrance as a Comment in the document on MMARS.

## Net Zero Dollar Encumbrance Adjustments for FY2012 from Monday 7/2 – Friday 8/31

There are three types of net zero dollar adjustments that require only an e-mail to the CTR Accounts Payable Bureau, Contracts Unit, Attention: [Comptroller.contracts@massmail.state.ma.us](mailto:Comptroller.contracts@massmail.state.ma.us). They are:

- (1) A modification within the same fiscal year to a transaction funded with any appropriation type that:
  - does not change contract maximum obligation
  - does not change the contract end date
  - decreases and increases within the same object class (e.g. G03 to G05)
  - are within the same appropriation (Note: for net zeroes in continuing accounts within a transaction, across accounts and fiscal years see number 2 below)
  - no change to the MMARS document id number
- (2) A modification to a transaction funded with continuing accounts (capital/2CN, federal/4FN, trust/ 3TN, 3TX) that:
  - does not change contract maximum obligation
  - does not change the contract end date
  - a net zero change that increases FY2012 and decreases a future fiscal year that already exists on the encumbrance or decreases FY2012 and increases a future fiscal year that already exists on the encumbrance
  - no change to the MMARS document id number
  - change is one account to another continuing account only (No budgetary appropriation allowed)
- (3) CT, GAE and PC “Across Encumbrances” -a modification within the same fiscal year to two or more existing transactions that are each supported by a “rate contract” funded with any appropriation type that:
  - does not change the rate(s) in the existing contract
  - does not change the scope of services or statement of work in the existing contract
  - does not change the contract end date
  - decreases one or more encumbrances in an object class and increases one or more encumbrances by the same amount as the decreases within the same object class (e.g. decrease encumbrance one in G03 object class by \$100 and increase encumbrance two in the G05 object class by \$100)
  - are within the same appropriation/account
  - no change to the MMARS document id numbers.

## MMARS Processing 6/1-8/31 When Two Fiscal Years and Accounting Periods Are Open

From 6/1-8/31, two fiscal years and accounting periods are open, therefore, departments are required to enter the FY and accounting period on all accounting line(s) when modifying or entering a new transaction in MMARS. If left blank and submitted, the transaction will be directed to the CTR contracts work list and will be rejected in MMARS. The reason for the rejection will be addressed in the document comments field and an e-mail will be sent to the MMARS Liaison, instructing the department to enter the appropriate fiscal year and accounting period. See the charts below for guidance:

If increasing or decreasing a BFY2012 line(s), the accounting line set up should be:

Reserved Funding Flag	Accounting Line BFY	Accounting Line FY	Month	Accounting Line Accounting Period
NO	2012	2012	June	12
NO	2012	2012	July or August	13

If increasing or decreasing BFY2013 line(s), the accounting line set up should be:

Reserved Funding Flag	Accounting Line BFY	Accounting Line FY	Month	Accounting Line Accounting Period
NO	2013	2013	June or July	1
NO	2013	2013	August	2

NOTE: The event type is PR05 for the CT, PC and RPO encumbrances. For RQS the event type is PR02 and for Openorder CT the event type is PR51.

## **FY2012 Encumbrance Corrections (CEC and GAEC) Processing Deadlines**

### **Monday, 7/23/2012:**

- PR22 [credit memo] Event Type CEC and GAEC

### **Friday, 8/24/2012:**

- PR20/PR21 Event Type CEC/GAEC corrections
- Zero Dollar PR20 Event Type to reopen an inadvertently closed encumbrance transaction.

See link to policy on [Encumbrance Correction](#) for further guidance.

## **OPENING**

### **Encumbrance Management Opening**

This section addresses encumbrance processing in BFY2013 Opening. The [CTR Web Portal](#) provides related policies and procedures and should be consulted for regular updates.

#### **Chart of Accounts**

Oversight or departmental defined Chart of Accounts is the foundation of the financial management system. The Chart of Accounts must be established prior to any FY2013 budget decisions. Departments opting to use departmental budgets and departmental chart of accounts must ensure that all are in place before any encumbering activity occurs and prior to the BFY2013 open contract roll. Please refer to Section Three (Opening) for additional guidance on Chart of Accounts.

### **Expenditure Classification Handbook**

Departments should review anticipated obligations for FY2013 and ensure that the appropriate object class and object codes are utilized for new or existing encumbrances. See the most recent published version of the [Expenditure Classification Handbook](#) for further guidance. There is also a listing of all object code revisions since 2007.

**Note:** Departments are responsible for full compliance with all applicable state and federal statutes, rules, regulations and requirements governing the expenditure of funds, regardless of whether or not specifically cited in the Handbook. Departments are advised to seek additional assistance from their legal and fiscal staff as appropriate.

### **MMARS Document ID Numbering Reminders**

- **MMARS document IDs must be composed of 20 numeric or alphanumeric characters only.** Department use of symbols, spaces and other non-alphanumeric characters may result in transactions becoming “locked”. This means that transactions in “pending” status, cannot be opened, rejected or approved. Furthermore, document IDs that contain symbols or spaces cannot be retrieved in warehouse queries and query-based reports. If departments choose not to use the auto-numbering feature in MMARS, they should conform to the numeric/alphanumeric standard, and make the document ID meaningful to the department.
- The document ID number must remain the same throughout the life of the contract.
- **Privacy** – MMARS document IDs (encumbrances, payments, etc.), vendor invoice numbers, contract numbers, check descriptions, and any comment field **MUST NOT** contain personal information (such as individual’s names, SSN numbers, bank account numbers, date of birth, addresses etc.) or other information that could jeopardize privacy or facilitate identity theft. MMARS document IDs and key comment fields may be printed on checks, sent electronically as part of remittance advice, and will appear on Vendor Web (and may be viewable under public records PIR - Public Information request / FOI - Freedom of Information requests). Steps must be taken to ensure individual personal information is not used. If vendors need names to match payments, care should be taken to use partial names to protect individual’s privacy.

## Encumbrance Opening

There are three separate systemic MMARS updates that occur yearly to prepare encumbrances for the new fiscal year. The status of an encumbrance at year end will determine how it will be established for the new fiscal year. A brief description of each follows:

### Contract Roll

This is the first MMARS update which occurs the end of May. Multi-year encumbrances will systemically have their fiscal year 2013 accounting lines activated in MMARS, provided that the accounting line was set up correctly and the detail accounting elements are active.

### Encumbrance Lapse and Open Activity (Unspent) Roll

The Encumbrance Lapse and Open Activity (Unspent) Roll are two separate activities that occur in the first weekend of September. The account type dictates which activity will occur for each encumbrance accounting line. The roll systemically moves the prior fiscal year unspent amounts into the new fiscal year's accounting lines. If there is no open accounting line on the encumbrance, the unspent funds are lapsed and returned to their appropriation. All accounting lines with budgetary funds do not roll, they only lapse.

A more comprehensive description of the three systemic MMARS encumbrance updates follows:

## Contract Roll

The contract roll process does the following:

- Pre-encumbrance RQS: Modifies all BFY2013 accounting lines from event type PR50 to PR02, changes reserved funding from 'Yes' to 'No', and changes the FY field from 2012 to 2013.
- Encumbrances CT, RPO, PC: Modifies all BFY2013 accounting lines from event type PR08 to PR05, and PR56 to PR51 (Open order CT), changes reserved funding from 'Yes' to 'No', and changes the FY field from 2012 to 2013.

For a successful contract roll, departments should review all **existing** multi-year pre-encumbrances (RQS) and encumbrances (CT, PC and RPO). This review should consist of the following:

- Multi-Year encumbrances must have at least one open BFY2013 accounting line. If a BFY 2013 accounting line has a closed date it will not roll.
- For encumbrances to be selected in the roll process, the BFY2013 out-year accounting lines must have the correct event type and BFY.
- The appropriation and other accounting details on the BFY 2013 lines must be valid.

**Entering accounting lines PRIOR to the contract roll:** The contract roll is scheduled for Saturday June 2<sup>nd</sup>. Therefore, the BFY2013 accounting lines must be set up prior to that date in order to be eligible for the contract roll. The proper set up is shown in the chart below:

Doc Code	Future Year Event Type	Reserved Funding Flag	Budget Fiscal Year (BFY)	Fiscal Year
RQS	PR50	YES	2013	2012
CT	PR08	YES	2013	2012
Openorder CT	PR56	YES	2013	2012
RPO	PR08	YES	2013	2012
PC	PR08	YES	2013	2012

The contract roll will impact: RQS, RPO, CT and PC transactions.

Due to CTR preparation time needed for the contract roll, encumbrance processing suspension will be in effect Thursday, May 31<sup>st</sup> – Sunday, June 3<sup>rd</sup>. Departments will not be able to enter, edit, validate, or submit RQS, RPO, PC, CT documents until Monday, June 4<sup>th</sup>.

CT and RPO pending transactions received by the CTR Accounts Payable Bureau, Contracts Unit by Wednesday, May 30<sup>th</sup> will be processed by Friday, June 1<sup>st</sup> if the paperwork has been forwarded to CTR and has been completed properly. OSD will do the same with PCs. Pending documents will be rejected from CTR and OSD work lists if the paperwork is not received in time or if what has been received cannot be processed.

**Entering accounting lines AFTER the contract roll:** If entering a BFY2013 accounting line **AFTER** the Contract Roll the proper set up is shown in the chart below:

Doc Code	Future Year Event Type	Reserved Funding Flag	Budget Fiscal Year (BFY)	Fiscal Year
RQS	PR02	NO	2013	2013
CT	PR05	NO	2013	2013
Openorder CT	PR51	NO	2013	2013
RPO	PR05	NO	2013	2013
PC	PR05	NO	2013	2013

### Encumbrance Lapse and Open Activity (Unspent) Roll

Due to CTR preparation time needed for the Open Activity Roll and Lapse, encumbrance processing suspension will be in effect Thursday, August 30<sup>th</sup> - Monday, September 3<sup>rd</sup>. Departments will not be able to enter, edit, validate, or submit RQS, RPO, PC, CT documents until Tuesday, September 4<sup>th</sup>.

### Encumbrance Lapse - BFY2012

All encumbered unspent funds in 2012 budgetary accounts (1CS, 1CN, 1RS and 1RN) will be lapsed on Saturday, September 1<sup>st</sup> and returned to the appropriation. All encumbered unspent funds in 2012 Capital (2CN) Trust (3TN AND 3TX), and Federal accounts (4FN) that do not meet the criteria of the open activity roll will also be lapsed on the same date. See more information on this below.

### Open Activity (Unspent) Roll – Capital, Trust and Federal Funds Only - BFY2012 into BFY2013

The Open Activity Roll will work as follows and will occur on Saturday, September 1<sup>st</sup> and Sunday September 2<sup>nd</sup>:

The roll affects the CT, and PC transactions that have unspent funds in account types 2CN, 3TN, 3TX and 4FN. Unspent 2012 amounts in these accounts are rolled into 2013 if the encumbrance has at least one open BFY2013 accounting line. If there is no open BFY2013 accounting line on the encumbrance, the unspent 2012 funds are lapsed and returned to the account.

A department should not add lapsed BFY2012 2CN, 3TN/TX, or 4FN funds back to an encumbrance unless there is a valid reason to do so (for example- a modification extending the contract end date was signed but not entered on MMARS prior to the Open Activity Unspent Roll). For re-encumbrance of lapsed funds into BFY2013 on a CT over the delegation amount, the department must send a transmittal sheet to the Comptroller Contracts Unit. Check off Letter H – “Other” and in the “Reason for Modification” field, explain why there is a valid reason for re-encumbering the lapsed funds. Attach any supporting documentation.

**NOTE:** If a **commodity** line closed in the lapse, **do not reopen the closed line**. Create a **new commodity** line with an associated accounting line. Re-opening a lapsed commodity line will cause future MMARS system problems for an encumbrance.

If there is at least one open BFY2013 accounting line in the encumbrance, the unexpended funds in 2013 will be moved into an existing 2013 accounting line within the same commodity/ accounting line grouping, but only if the accounting details are the same. If there is no matching 2013 accounting line, then a new 2013 accounting line will be created within the same commodity/accounting line grouping using the accounting details from the 2012 accounting line.

Commodity line/accounting line groupings stay intact during the roll process. For example, if there are two commodity lines and commodity line 1/accounting line 1 has \$200 unexpended in 2012 but no 2013 accounting line and commodity line 2/accounting line 1 has a 2013 accounting line, the unexpended \$200 in commodity line 1/accounting line 1 **are not** moved to commodity line 2 /accounting line 1. A new accounting line 2 is created and added to the commodity line 1/accounting line 1 grouping. Commodity line 1 now has two accounting lines, the closed 2012 line and a new 2013 accounting line with the rolled balance.

Service dates on commodity lines into which a new accounting line is inserted will be modified if the service dates do not extend into BFY2013. For commodity lines that do not extend into BFY2013, the service end date will be changed to the latest end date on the encumbrance.

Departments should be aware that the accounting line number created may not be sequential. For example, if accounting lines 1 and 2 already exist, the next accounting line created by the roll process might not necessarily be 3. In some cases, it may be sequential but in other cases it may not. Departments should be aware of this when reviewing their transactions.

Please see contract roll scenarios below. The shaded areas show what is new or modified after the roll. The scenarios show how commodity and accounting lines look before and after the roll.

AL – stands for accounting line  
CL – stands for commodity line

**SCENARIO 1 One Commodity line with multiple accounting lines. The Dates of Service encompass the full date range. Exact Accounting Line match (Fund & Detail Actg) - Unspent dollars (Line Open Amount) moved to an *Existing 2012 accounting line*.**

**Before Roll**

Commodity Line (CL)	Service From Date	Service To Date	Actg Line (AL)	BFY	Actg Line Amt	Actg Line Open Amt	Fund Actg	Detail Actg
1	7/1/2011	6/30/2013	1	2012	800	300	A	A
			2	2013	300	300	A	A

**Dollars subtracted from CL 1/AL 1 BFY2011 and added to existing CL1/AL2 BFY2012**

**After Roll**

Commodity Line (CL)	Service From Date	Service To Date	Actg Line (AL)	BFY	Actg Line Amt	Actg Line OpenAmt	Fund Actg	Detail Actg
1	7/1/2011	6/30/2013	1	2012	500	0	A	A
			2	2013	600	600	A	A

**SCENARIO 2 - One Commodity line with multiple accounting lines. The Dates of Service encompass the full Date range. No Accounting Line match (Fund & Detail Actg) - Unspent dollars (Line Open Amount) moved to a new BFY2013 accounting line.**

**Before Roll**

Commodity Line (CL)	Service From Date	Service To Date	Actg Line (AL)	BFY	Actg Line Amt	Actg Line Open Amt	Fund Actg	Detail Actg
1	7/1/2011	6/30/2013	1	2012	800	300	A	A
			2	2013	300	300	A	B

**Dollars subtracted from CL1/ AL 1 BFY2012 and added to a New CL1 AL 3 BFY2013**

**After Roll -**

Commodity Line (CL)	Service From Date	Service To Date	Actg Line (AL)	BFY	Actg Line Amt	Actg Line OpenAmt	Fund Actg	Detail Actg
1	7/1/2011	6/30/2013	1	2012	500	0	A	A
			2	2013	300	300	A	B
			3	2013	300	300	A	A

**SCENARIO 3 - Two or more Commodity Lines; There is one commodity line for each BFY. CL 1 Service To date equals 6/30/12 and there is not a BFY 2013 AL within the CL1/AL1 and AL2 grouping. Unspent dollars - (Line Open Amount) are added to a new BFY2013 AL inserted within the CL 1.**

**Before Roll**

Commodity Line (CL)	Service From Date	Service To Date	Actg Line (AL)	BFY	Actg Line Amt	Actg Line Open Amt	Fund Actg	Detail Actg
1	7/1/2011	6/30/2013	1	2012	800	300	A	A
			2	2012	400	50	B	A
2	7/1/2012	6/30/2013	1	2013	300	300	A	A
3	7/1/2012	12/30/2012	1	2013	400	400	A	A

**Dollars subtracted from CL1/ AL 1 BFY2012 and added to a NEW CL1/AL 3 BFY2013 and dollars subtracted from CL1/AL 2 BFY2012 and added to a New CL1/AL 4 BFY2013. CL 1 Service To date was also changed to the latest Service To date of all CLs.**

**After Roll -**

Commodity Line (CL)	Service From Date	Service To Date	Actg Line (AL)	BFY	Actg Line Amt	Actg Line Open Amt	Fund Actg	Detail Actg
1	7/1/2011	12/30/2012	1	2012	500	0	A	A
			2	2012	350	0	B	A
			3	2013	300	300	A	A
			4	2013	50	50	B	A
2	7/1/2012	6/30/2013	1	2013	300	300	A	A
3	7/1/2012	12/30/2012	1	2013	400	400	A	A



## Tax-Exempt Lease Purchases (TELPs), Term Leases, and Rentals (Recurring Payments)

Encumbrances for Tax-Exempt Lease Purchases (TELPs) and leases are typically supported by a Statewide Contract. Recurring payment leases such as: space leases (G01 object code), TELP leases (L02-L12, N62 and U08 object codes), and any capital or operating lease (L22-L32, N63 and U09 object codes) that have a duration greater than 12 months must be encumbered using the RPO transaction under one of the applicable MMARS standard recurring payment schedules.

**Note:** Capital lease encumbrances must include "CAP" in detail accounting sub object field

Reminders:

1. TELPs require prior written approval by ANF to ensure sufficient funding is anticipated for the annual costs for the life of the TELP.
2. Contracts must be negotiated to match established recurring payment table schedules.
3. It is required that department's TELPs and leases are recorded in MMARS in accordance with the procurement and capital asset policies.
4. Each TELP or lease should have a unique RPO document id number.

Guidance and policy are discussed in the following resources:

- Capital Assets  
Departments that own capital assets are responsible for recording all acquisitions, betterments, changes, transfers, and dispositions for GAAP capital assets and for a physical inventory of non-GAAP capital assets. Please refer to the [Capital asset policy page](#) of the CTR Web Portal for additional information.
- MMARS Policies  
[Capital assets-Acquisition Policy](#) and [Accounting and Management Policy](#)

### Attorney Contracts (H09, N03)

In order to fulfill the reporting requirements of M.G.L. c.30 §. 65 for all H09 and N03 encumbrances, Executive Departments must add the following into the encumbrance Document Comments section:

- Subject: Rate Data
  - Description: the unit and rate data and a brief description of the type of service being provided.
- Departments that fail to include this information as part of the encumbrance will be required to modify the encumbrance to add this information. Encumbrances reviewed by CTR that do not contain this information will not be processed and will be rejected in MMARS for correction.

See H09 and N03 in the [Expenditure Classification Handbook](#) for additional requirements for attorney contracts.

## Discounts

**Benefits of Taking Discounts:** MMARS has the ability to automatically calculate discounts for prompt payments [Prompt Payment Discount (PPD)] to vendors that elect to provide additional assistance in return for prompt payment in less than the standard 45 day payment cycle. These discounts are hard dollars savings retained by departments that can be used for another purpose.

Prompt Payment Discount (PPD) terms become available when a procurement requires or requests, and a Bidder submits in their Response, discounted prices based on the assumption that departments will pay their bills more quickly in order to receive higher discount rates. PPD options in contracts are advantageous to both vendors and purchasing departments. Vendors benefit from PPD by increased, positive and usable cash flow as a result of fast and efficient payments for commodities delivered or services rendered. The Commonwealth benefits because the department's cost for products and services are reduced by taking advantage of this allowance.

PPDs are automatically taken, from the total invoice amount and are *in addition* to any other volume or other discounts negotiated between the department and a vendor as part of a contract or purchase. Volume or other discounts must be calculated and included on the invoice. PPD are an additional discount if the department is able to review, approve and

process an invoice into MMARS timely; the system will schedule the payment consistent with the agreed upon payment days in the supporting contract, from the date the invoice was received or performance rendered (whichever is later). Many Statewide Contracts issued by the Operational Services Division contain Prompt Payment Discount terms. If a department is purchasing from a Statewide Contract that includes Prompt Payment Discount terms, the department must process invoices on a timely basis in order to take advantage of discount(s). Departments must check the Master Agreement (MA) document to identify the prompt payment discount options available from that contract and make sure that payment requests are submitted to take advantage of the greatest amount of savings allowed.

**Negotiating Prompt Payment Discount Terms:** Departments negotiating new contracts, contract renewals, or amendments, should take advantage of the MMARS feature of automatically calculating prompt pay discounts. The vendor's discount terms on the encumbrance document copies forward to the payment document and automates the calculation and payment process. This feature provides departments with the means to monitor their bill-paying practices and take full advantage of discount opportunities. The Commonwealth's goal of consistent, timely bill paying via [Electronic Funds Transfer](#) (EFT) should give departments leverage in negotiating discounts terms. Please review the existing [policies and procedures](#) related to vendor discounts. For more information please see the [Prompt Payment Discount Policy](#) and the encumbrance with discounts job aid.

**Verification of Discount Terms on Encumbrances:** On PC and CT transactions with discount terms, the discount shown in the commodity section and vendor section must match. Mismatched discount terms on an encumbrance will result in incorrect vendor payments. Departments are responsible for ensuring that the two sections match prior to submitting the transaction in MMARS.

To assist departments, CTR's Contracts Unit regularly reviews discounts on encumbrances to ensure that discounts on the commodity lines match the discount in the vendor section. If there is a mismatch, an e-mail notification asking for correction is sent to the department's MMARS Liaison. Most, if not all of these encumbrances reference a Master Agreement. The MA discount terms should match the encumbrance terms. Some of the most common reasons for mismatches are copying documents, or initially referencing the wrong vendor line and correcting it. Also OSD sometimes renegotiates discount terms on Statewide Contracts that could impact existing encumbrances thus departments must make sure that the encumbrances are aligned to the new discount terms. If the wrong vendor line was initially referenced or copied on an encumbrance, departments need to make sure that they check the discount section in both the vendor and commodity section to ensure they match.

Departments are notified to clean up any discount mismatch issues. These require immediate correction to ensure that the discount will be calculated correctly at the time of payment.

**To correct mismatched discount information, go to the commodity line section and blank out the values (do not leave zeros) then revalidate the document in MMARS. When you revalidate the document, the discount terms from the vendor section will be inferred to the commodity section. Check both sections to confirm that they match. If there are out years, remember to correct those lines as well.**

**DEPARTMENT LETTERHEAD**

**MEMORANDUM**  
**FY2012 LATE ENCUMBRANCE REQUEST**

DATE

Michael Weld-Eyob, Director  
Attn: Sue Patts-Nagy  
Office of the Comptroller  
Accounts Payable Bureau  
One Ashburton Place, 9<sup>th</sup> floor  
Boston, MA 02108

Dear Mr. Eyob:

We are submitting the following late encumbrance request with all of the information completed below. We have attached the applicable back up documentation in accordance with the Expenditure Classification Handbook object code requirements. The MMARS encumbrance header and accounting line(s) contain Accounting Period 13 and the BFY/FY fields are 2012.

The reason for the late encumbrance is:

[illegible]

Chief Fiscal Officer Signature

Printed Name \_\_\_\_\_

Date \_\_\_\_\_

## Section Seven

### Interdepartmental Business (ISAs and Chargebacks)

#### Section Introduction

An Interdepartmental Service Agreement (ISA) is a contract between two state departments that fulfills the legislative mandates of both state departments. ISAs are used when contracting with another state department provides a “better value” than contracting with an outside vendor. The contract enables state departments to jointly fulfill the same or similar legislative mandates/missions.

Departments are required to adhere to the [Policy on Interdepartmental Service Agreements \(ISAs\)](#) and 815 CMR 6.00, and must use the published Interdepartmental Services Agreement (ISA) form for any interdepartmental business, whether financial or non-financial. Financial ISAs transfer obligation ceilings between MMARS accounts. Non-financial ISAs obligate resources and create enforceable contractual obligations without a transfer of funds. Memorandums of Understanding (MOUs) may not be used for Intergovernmental business.

Most ISAs are set up annually on a state fiscal year basis. However, ISAs should have a duration that makes sense from a business perspective for both the Buyer and the Seller. Multi-year ISAs are encouraged if they best support the business process. Similar to other types of contracts, ISAs are subject to appropriation and/or the availability of funding.

#### State Finance Law Reminder

State Finance Law requires that funding be in place before goods, services or other obligations can be requested or accepted from contractors, vendors, or employees. Specifically, under [M.G.L. c. 29, § 26](#); [M.G.L. c. 29, § 27](#); and [M.G.L. c. 29, § 29](#), departments may not incur a liability for the Commonwealth in excess of their appropriation or allotments and the Comptroller may not permit the disbursement (payment) or incurring of an obligation (encumbrance) by departments without a sufficient appropriation and allotment are made available.

#### Interdepartmental Service Agreements (ISA) reporting mechanism for departments that have multiple ISAs funded by the same account

If the seller department has multiple ISAs with the same buyer that are all funded by the same account, the total dollars for all ISAs will be shown on a single seller account in MMARS (BQ89 or BQ81). The seller department will be required to properly segregate and account for expenditures in accordance with the terms and funding specifications for each individual ISA. Establishing departmental budgets or other departmental accounting attributes for each ISA within the seller budget line is a reporting mechanism available to track spending separately for each ISAs funding. Departments that do not set up departmental expense budgets should develop an internal reporting procedure to ensure the funding from the multiple ISAs can be tracked separately.

#### Interdepartmental Service Agreements (ISA) Reminders

For ISAs in subsidiarized accounts, the Buyer/Seller object classes must match on the BGCS documents.

FY2013 BGCN/BGCS document id numbers must follow the standard ISA document id numbering shown below:

ISA	CTR	12345678	TRE	13A
First three must always start with ISA	Next three must always be the Buyer Department MMARS alpha (Parent)	Next eight are Buyer department defined and can be alpha, numeric, or alphanumeric	Next three must always be the Seller Department MMARS alpha (Child)	Last three must denote the BFY the transaction represents (e.g. BFY2013 would be 13A for initial document, then B, C, D, etc.

## **ISAs Funded with Trust and Federal Funds – Indirect Costs Must be Negotiated as Part of ISA Budget**

Expenditures in a seller account may trigger indirect costs. The buyer and seller departments are responsible for negotiating the type of expenditures authorized under an ISA and determining if the expenditures will trigger the assessment of indirect costs. These costs must be reflected in the ISA budget. Departments requiring information on whether expenditures will trigger an indirect cost assessment should contact Taneka Simmons in the Federal Grants and Cost Allocation Unit at CTR.

## **Fringe Benefit Costs**

Seller budget lines (all account types) that include funding for object classes AA (State Employee Compensation) and CC (Special Employees/Contracted Services) supported by an ISA, must also include the DD (Pension & Insurance Related Expenditures), specifically object code D09. This is necessary to cover mandated chargebacks for employee pension, health insurance, and terminal leave expenses from federal grants, expendable trusts, capital accounts and all other non-budgetary accounts to centralized state administrative accounts. This also covers the cost of Unemployment Compensation Insurance Premium (UI), Universal Health Insurance (UHI) contribution, and the employer share of Medicare Tax (MTX).

## **Interdepartmental Service Agreements (ISA) Opening**

To ensure timely processing for the first FY2013 payroll run and contract encumbrances with July 1<sup>st</sup> effective dates, the appropriate paperwork for new ISAs or for renewals must be submitted to CTR no later than Friday, June 1st. Buyer departments will be required to enter the applicable budget document (BGCN for non-subsidiarized or BGCS for subsidiarized) into MMARS. The budget transactions will workflow to CTR Contracts Unit. CTR staff will review and process the budget transaction to final status in MMARS as long as the supporting ISA paperwork is received and is completed correctly.

There are two opening sections below:

New or ISAs being amended to add FY2013

Existing Multi-Year Interdepartmental Service Agreements (ISA)

### **New or ISAs being amended to add FY2013**

After House 1 has been loaded, buyer departments may start processing ISAs in MMARS as outlined below by appropriation type:

**Budgetary Funds 1CN and 1CS:** Based on provisional House1 budget, BGCN's/BGCS's may be processed to establish the seller's obligation ceiling. Allotments cannot be established until after the General Appropriation Act (GAA) is loaded. Therefore, the allotment dist. amount field, period field, and allotment amount field should not be completed. Once the GAA is passed, ANF will process the first periodic allotment that will update existing buyer and seller lines with an expenditure ceiling. ISA BGCNs/BGCSs in budgetary accounts processed after the passage of the GAA should include allotment lines (completion of allotment dist. amount, period field, and allotment amount field) reducing allotted funds in the buyer and increasing allotted funds in the seller. If funds are not allotted at this time, the seller account will have to wait until the second periodic allotment, or the buyer department may have to process adhoc allotments. For ISA paperwork that has been submitted to CTR, but not processed at the time of the GAA passage, CTR's Contract Unit will work with the applicable buyer department to assist in making sure that funds are allotted.

**Budgetary Funds 1IN, 1IS, 1RN and 1RS:** May be processed if the value of the ISA does not exceed the uncommitted estimated receipt in the buyer budget line. Retained Revenue account types 1RN and 1RS are not part of the ANF Periodic Allotment. For any 1RN or 1RS, BGCS/BGCN processed prior to GAA passage, the Buyer (Parent) department is responsible for entering another BGCS/BGCN and submitting to CTR Contracts Unit inclusive of an explanation of the purpose of the transaction.

**Trust Funds (3TN, 3TX):** There are two types of Buyer account trust fund set ups: (1) uncommitted, or (2) uncommitted estimated receipts in the buyer budget line. Depending on the set up, the ISA may be processed if the value of the ISA does not exceed the buyer budget line. Both are not part of the ANF periodic allotment. For fund setups that are based on uncommitted in the buyer budget line, the FY2013 BGCN should include the allotment. Since the Event Type is BG12 for fund setups that are based on uncommitted estimated receipts in the buyer budget line, no allotment is needed. Trust account ISAs will not be processed by CTR until after the mid July balance forward from FY2012 to FY2013 occurs which will provide funding to buyer (parent) departments so the BGCN's can be processed.

**Capital Funds (2CN):** May be processed when the Obligation Ceiling has been established in the buyer budget line. Spending for all capital accounts, including seller budget lines, will be controlled by the capital budget structure so each line should be fully allotted in the central budget structures. Capital account ISAs will not be processed by CTR until after the mid July balance forward from FY2012 to FY2013 occurs which will provide funding to buyer (parent) departments so the BGCN's can be processed

**Federal Funds (4FN):** May be processed if the value of the ISA does not exceed the uncommitted estimated receipt in the buyer budget line.

### **Establishing an Allotment**

Below is a link to the Job Aid for guidance on allotment line set up. The process begins at Step 5. This will create the expenditure ceiling for the seller account.

[Create a Cross Appropriation Transfer Budgetary, Capital and Trust - ISA](#)

### **Existing Interdepartmental Service Agreements (ISA) – Out Year Roll Process for ISAs**

During the fiscal year opening there are two systemic updates coordinated between CTR and ANF to facilitate activation of ISA out years/continuing contracts:

Creation of central budget structures;  
Loading of obligation ceilings.

Creation of Central Budget Structure (existing Multi-Year ISAs) during May

ANF will load both the BQ81 and BQ89 FY2013 Central Budget Structures for multi-year seller accounts that need to be active in FY2013 as long as the following criteria are met:

- (1) the buyer budget line is valid in FY2013 and;
- (2) the seller budget line is supported by a valid multi-year ISA on file with CTR. CTR will provide ANF with the information in order for ANF to process the load.

Those budget lines will roll into FY2013. The roll will create \$0 budget lines for the Seller department, which sets the stage for the second systemic update of loading actual dollars as described below.

AFTER HOUSE 1 LOAD: Loading of Obligation Ceiling Dollar Values (existing Multi-Year ISAs)

**ANF will load the FY2013 obligation ceiling with the dollar value from the latest version of the ISA on file with CTR. CTR will provide ANF with the information in order for ANF to create the applicable BGCN/BGCS documents. Depending on the appropriation type, ANF will load the applicable BGCN and BGCS documents as follows via an interface:**

**1CS, 1RS** will be loaded as a shell. CTR will complete these per verification of the object class and budget breakout from the Buyer Department. NOTE: In early June, in preparation for the seller budget line load, a file will be sent to Buyer departments for verification of the object class breakout based on the latest version of the ISA on file at CTR.

**1CN and 1RN** will be loaded to final status.

**4FN** will be loaded to final status.

**2CN and 3TN** will not be loaded until the FY2012 to FY2013 appropriation balance forward program has taken place [mid July]. However, from the early May budget structure roll described above there will be a \$0 budget line in place to support FY2013 encumbering activity until the balance forward occurs.

**NOTE: If a Buyer department determines that there is a problem with a seller budget line or transactions are rejecting from this process, contact CTR's Contract Unit for assistance.**

### Interdepartmental Service Agreements (ISA) Fiscal Year 2012 Closing

The chart below outlines what happens in September to uncommitted funds remaining in seller budget lines at the end of FY2012 Accounts Payable for both single and multi-year ISAs.

	<b>Budgetary (1CN, 1CS, 1IN, 1RN, 1RS)</b>	<b>Capital and Trust (2CN, 3TN, 3TX)</b>	<b>Federal (4FN)</b>
Single Fiscal Year ISA	Uncommitted balances in seller budget lines will be returned to the buyer account if a Prior Appropriation Continued (PAC) is authorized.  If there is no PAC, the unspent balances will return to the sellers' budget line and will lapse.	Uncommitted balances in seller budget lines will be returned to the buyer budget line at the end of the FY2012 accounts payable period.	If uncommitted balances remain in the seller budget lines, CTR will move the uncommitted to the buyer line and adjust any future cash draws. Uncommitted estimated receipt balances do not balance forward; therefore, no adjustment is required.
Multi-Fiscal Year ISA	Uncommitted balances in seller budget lines will be returned to the buyer line at the end of the fiscal year unless the buyer has a PAC authorization. It is the responsibility of the buyer department to determine how the PAC authorization should be distributed between the buyer and seller budget lines and to contact CTR's Accounting Bureau, Budgetary Unit for guidance.	Uncommitted balances will balance forward.	Uncommitted estimated receipt balances will not balance forward; therefore, a new BGCN document is required. See guidance in the chart below. If an uncommitted balance remains in the seller budget line, the uncommitted will be brought forward to the seller budget line.

The chart below outlines the Seller Account Carry-Forward Process for Federally Funded/Multi-Year ISAs (To Be Completed On or Before Friday 9/28/2012). After 9/28/2012, carry-in will still be processed; however a fully executed ISA amendment should be submitted to the CTR Contracts Unit for processing of the supporting BGCN.

Step 1.	<b>Seller</b> department authorized signatory requests a carry-forward of unspent funds from the FY2012 portion of the ISA in writing to the Buyer. NOTE: an e-mail is acceptable, however if the Buyer department requires a written letter or other documentation to be submitted, the Seller department must comply.
Step 2.	<b>Buyer</b> department reviews the seller departments request for carry-forward which includes (1) Reconciling the spending in the Seller budget line for the previous FY; (2) Requesting an increase in its own budgetary estimated receipts for the current fiscal year if necessary; and, (3) Completes any additional internal departmental requirements.
Step 3.	<b>Buyer</b> department approves the request and then enters a BGCN transaction in MMARS for the current fiscal year using event type BG12 with a decrease to the buyer budget line and event type BG12 with an increase to the Seller budget line. The Document Comments Field must include the boilerplate language below:



	<p><b>Carry-In from FY2012 in the amount of \$ _____ to the FY2013 portion of existing/on file at CTR multi- year ISA.</b></p> <p><b>Total maximum obligation of the supporting ISA (all years) is \$ _____</b></p> <p>The BGCN document identification number needs to be done in accordance with the ISA document identification numbering requirement standards. For example: if the last number was ISAEPS00000001POL012A, the carry-in BGCN doc id # would be ISAEPS00000001POL012B or you may use 12CF as the last three digits to indicate for FY2012 carry-forward.</p> <p>Reminder: If the Buyer department does not agree to extend the total unspent portion of the ISA to the Seller department in the current budget fiscal year, a formal ISA amendment signed by both the Buyer and Seller departments is required and a copy must accompany the BGCN request that is sent to CTR.</p> <p>Note: The submitter of the BGCN in MMARS must be an authorized signatory. This serves as the Buyer electronic approval of the request.</p>
Step 4.	<p><b>Buyer</b> departments, EXCEPT EPS notify CTR via e-mail to Maria Santos and EPS send to Susan Patts-Nagy of the applicable BGCN(s) document identification number(s). CTR then retrieves the document from the work list for review, which includes inserting the applicable revenue source code in the child budget line and processing the document to final status in MMARS if complete.</p>

## ISA-Related BGCN/BGCS Completion

To assist departments with the correct completion of ISA related BGCN/BGCS transactions, CTR has developed a chart for your reference which is located in the CTR Web Portal under the business function Contract/Interdepartmental Business. See "[ISA-Related BGCN/BGCS Completion](#)".

## Document Comments

**Rejected BGCN and BGCS Documents** - When a pending transaction is not able to be processed by CTR, the Document Comments field of the BG document is updated with the reject reason. In addition, an e-mail is sent to the departments MMARS Liaison. As part of a department's daily document catalog management, a department should look for these rejected transactions, review the comments provided and take the appropriate corrective action.

## Interdepartmental Chargebacks – Internal Vendor Code

Interdepartmental Chargebacks are fee-based charges for statutorily authorized commodities and services which are available to State Departments on an *ad hoc* request basis, a *public fee* basis, or *statewide* chargeback basis. Departments must have specific legislative authorization to conduct chargeback activity.

Departments that were set up for FY2012 as authorized chargeback departments with an Internal Vendor Code and a designated revenue source code DO NOT have to reapply for chargeback status for the new fiscal year unless the underlying legislative chargeback authorization has changed. Once approved, all chargebacks will be validated and remain active until legislative authorization for the chargeback ceases. IEs may be processed starting July 1<sup>st</sup> or as soon as House 1 is loaded.

- To ensure that sufficient funds are set aside by Buyers to support the cost of Chargeback performance, Sellers MUST issue IEs for the total anticipated value of the performance for the full period of the need (e.g., fiscal year, monthly, weekly, one-time need).
- Sellers that provide on-going services on a fiscal year basis must submit IEs at the beginning of the fiscal year in **advance** of performance (starting July 1<sup>st</sup> or as soon as House 1 is loaded) for anticipated costs for the full fiscal year, and may not submit IEs quarterly or bi-annually for this performance.



Chargeback departments are required to submit IEs to buyer departments PRIOR to providing chargeback goods or services based upon estimated costs. Sellers must then NOTIFY buyer departments by email, phone or fax with the IE DOC ID informing the Buyer that they are required to retrieve the IE and complete the accounting line information within 30 days. Buyers must then NOTIFY seller departments by email, phone or fax with the IE DOC ID informing the seller that the accounting information is complete and that the seller must submit the document to final status. The same process of entry and notification will repeat for the Internal Payment process (ITI – seller, ITA - buyer). Please refer to Job Aids under Internal Business for additional guidance.

- Seller Departments MAY NOT provide chargeback performance unless an IE sufficient to cover the performance is encumbered in MMARS to support the performance.
- Buyer Departments MAY NOT request or accept chargeback performance for which the Buyer does not have, or anticipates that it will not have, sufficient funds to encumber an IE for the performance.

All authorized Seller/CHBK departments will be assigned an Internal alpha Vendor Code that appears as follows:

1. The first four letters "ISELL"
2. The next letter will indicate the legal basis for the chargeback:  
"B" (budgetary), "S" (statutory) or "A" for (administrative)
3. The next three letters identify the service identifier (example: Bureau of Computer Services charges will be "BCS")
4. The last three letters identify the authorized seller department.

Departments not currently authorized for chargebacks must apply for an Internal Vendor Code. The [Chargeback Department Authorization Form](#) is available on the [CTR Web Portal](#) under Publications and Reports > Forms > Contracts and must include the following:

1. Descriptive name of the authorized chargeback.
2. Legal citations AND the actual statutory or legislative language authorizing the chargeback. The language must be explicit. Inferred charges will not be authorized. Budgetary authorization must appear in both the House and Senate versions of the budget or in the final GAA to support the application.
3. A breakdown of the specific charges or the methodology for calculating the charges to a department. The charges or methodology must be detailed and capable of being verified against the actual charges to chargeback departments. Chargeback departments may not charge more than what is authorized in statute or regulation or, if no restriction is identified, no more than the actual costs for providing chargeback services.

Chargeback Department Authorization Forms must be sent to CTR's Legal Bureau for review, ATTN: Jenny Hedderman, 9<sup>th</sup> Floor One Ashburton Place, Boston, MA 02108. Paperwork can either be mailed, sent electronically, or via fax to 617-973-2555.

### **Interdepartmental Voucher (ITA)**

All FY Closing ITAs entered between July 1st and August 29th will require Fiscal Year 2012 equal to Budget Fiscal Year 2012 and Period 13 on the accounting line.

## Section Eight

# Accounts Payable Management

### Section Introduction

This section highlights the management of expenditures during the FY2012 Closing and FY2013 Opening processes. Payments must be made in accordance with the Commonwealth's [Bill Payment Policy](#). State Finance Law requires that annual appropriations may be expended only for expenses incurred in the same fiscal year (See [M.G.L. c.29, §12](#)). Goods and services to be paid for with current fiscal year appropriations must be authorized and received within that same fiscal year (July 1-June 30) (see [M.G.L. c. 4, §7](#)). Also, you will find detailed information and procedures regarding the closing of Dynacash (advance) accounts. The [CTR Web Portal](#) provides information access to policies and procedures and should be consulted for routine business.

### Public Information and Privacy Concerns

MMARS transaction IDs (encumbrances, payments, etc.), vendor invoice numbers, contract numbers, check descriptions, and any comment fields MUST NOT contain personal information (such as individual's names, SSN numbers, bank account numbers, date of birth, addresses etc.) or other information that could jeopardize privacy or facilitate identity theft. MMARS transaction IDs and key comment fields may be printed on checks, or sent electronically as part of remittance advice, and will appear on VendorWeb (and may be viewable for public records requests), therefore care must be taken that individual personal information is not used. If vendors need names to match payments, care should be taken to use partial names to protect individual's privacy.

## CLOSING

### Payment Request

Pursuant to State Finance Law, under no circumstances should FY2012 funds be used for FY2013 expenditures or vice-versa, unless FY2012 funds have been PAC into FY2013 or otherwise authorized with appropriate legislative language. MMARS will automatically reject Payment Requests, entered after June 1<sup>st</sup>, that do not reference FY2012 encumbrances. Departments should confirm with vendors that all goods and services are to be received or completed by June 30<sup>th</sup>. If a product acceptance period is required, it must conclude prior to the Accounts payable period (August 31<sup>st</sup>) in time to enable final payments, if any. See also: Late Submission of Invoices - Liquidation of Payments below.

### Processing Payment Requests

Accounts Payable 2012 payment request documents: PRC, GAX, INP transactions in the document catalog that are not in FINAL status overnight on June 30<sup>th</sup> may reject on July 1<sup>st</sup> with a variety of error messages that must be corrected by the Department immediately.

- During the accounts payable period (July 1 to August 31) the **fields - Fiscal Year, Budget Fiscal Year, and Accounting Period** - must be completed for all payment requests. The following chart indicates the appropriate data.

### Coding Payment Request During Accounts Payable Period

**Payment made on July 1, 2012 and after:**

	Header Budget FY	Header Fiscal Year	Header Period	Acct. Line Budget FY	Acct. Line Fiscal Year	Acct. L Period
<b>FY2012 Payment Requests</b>	2012	2012	13	let default	blank	blank
<b>FY2013 Payment Requests</b>	2013	2013	1 (July) 2 (August)	let default	blank	blank

Budget FY and FY are not required fields, but should be entered on the header. If entered on header, the posting will infer to the accounting line. The accounting line will not show Fiscal Year and Period, but the posting code will.

Inputs to the line, will take precedence over what is entered on the header. i.e.: If you put period 1 on the header and period 4 on the line, the posting code will show period 4.

FY2012 Recurring and Ready payments (PRM/PRN) processed in FY2013 will reject and will need to be edited/coded accordingly:

#### **FY2012 PRM/PRN payments:**

##### Header

BFY = 2012

Header Fiscal Year = 2012

Period = 12 or 13 (June is Period 12 and July/August Accounts Payable is Period 13).

##### Line

Let the accounting line BFY default and leave FY and period blank.

### **Final Payment Request on Hold**

All FY2012 payment requests in Final status and that are on hold on DISRQ must be released from hold status before or on August 31. Documents in hold status should be handled in one of the following ways:

1. If the vendor is due the payment, release the payment from hold and allow it to disburse.
2. If the vendor is NOT due the payment, choices are:
  - A: If no lines on the payment document have already disbursed discard the payment (cancel it).
  - B: If lines have already been disbursed the document cannot be cancelled; modify the open lines(s) to zero.

For instructions on how to identify final payments on hold, go to the Job Aid [Find Payments on Hold for More than a Specified Number of Days](#).

These payment transaction codes include: GAX, GXM, GX9, INP, PRC, PRM, PRN and RA.

### **Accounts Payable Period**

The FY2012 accounts payable period begins on July 1 and closes on August 31<sup>st</sup>. After August 31<sup>st</sup>, Departments will not be able to make payments against FY2012 encumbrances. The Office of the Comptroller plans to lapse all remaining FY2012 encumbrance balances following the conclusion of business on August 31<sup>st</sup>. The August 31<sup>st</sup> encumbrance lapse applies to encumbrances in accounts in all appropriation types, i.e. in continuing as well as non-continuing accounts. If for any reason a Department is unable to finalize FY2012 payments on or before August 31<sup>st</sup>, the Department is still obligated to pay all outstanding bills through the appropriate method.

## **Late Submission of Invoices – Liquidation of Payments**

In rare circumstances, a vendor may fail to submit an invoice for goods and services (performance) that were delivered prior to June 30th and were accepted by the Department as contract compliant. It is presumed that as part of fiscal year closing activities the Department has internally verified receipt and acceptance and the value of the performance delivered on or before June 30th in accordance with the contract terms, in preparation for verifying invoices once received. Departments should make every effort to notify vendors of outstanding invoices and the value of the performance provided by the vendor that has been verified by the Department.

If it appears that a Department may not receive invoices by August 11<sup>th</sup>, and the Department can verify receipt of goods and services by June 30<sup>th</sup>, and the value of the performance was in accordance with contract terms, the Department should fax a written notice to the vendor(s) with the following language:

*In order to ensure that funds appropriated and encumbered in FY2012 for the performance delivered does not revert at the end of the accounts payable period on August 31<sup>st</sup>, thereby becoming unavailable for expenditure, you must submit final invoices no later than August 18<sup>th</sup> confirming outstanding obligations for performance delivered on or before June 30<sup>th</sup>. If you fail to respond, a payment in the amount of \$[amount certified by Department] will be scheduled for payment on August 22<sup>nd</sup> which represents full satisfaction of any and all outstanding amounts owed."*

Final payments allow the Department to close out the contract without reverting funds that have been properly encumbered for a contract and are available for expenditure. If amounts are disputed, then the Department should make a partial payment at the level certified by the Department and identify any remaining amounts in the encumbrance outstanding. Additional contested amounts would default to the prior year deficiency process for non-continuing accounts.

If budgetary funds revert due to the contractor's failure to submit timely final invoices, or for disputing an estimated payment, the Department may deduct a penalty of 10% from any final payment in the next fiscal year for failure to submit timely invoices.

NOTE: Departments receiving appropriations in FY2012 final supplemental budget must coordinate with CTR Contract Unit to encumber and expend those funds by August 31<sup>st</sup>. FY2012 accounts payable encumbrances are valid only for services rendered or goods delivered on or before June 30<sup>th</sup>. Completion of services or delivery of goods after this date means that those services or goods are valid FY2013 obligations and must be paid with FY2013 funds. A Department that has routine FY2012 invoicing that simply cannot be completed in time should make use of the Comptroller's "prior year deficiency" process.

## **Recurring Payments**

Ready Payment schedules have been established to support MMARS-produced transactions throughout the accounts payable period.

The Settlement period is the final yearly period on each recurring schedule and is to be used for the closeout reconciliation.

It is important to note that any PRN that has been generated must be fully recovered by close of business June 30<sup>th</sup>.

## **Request for Advance (RA), Expenditure of Advance (EA), Advance Refund (AR)**

The Department must account for all FY2012 advances before any FY2013 advance will be processed. Payroll advances should be deposited into the bank by noon on July 2<sup>nd</sup>. The corresponding AR should be entered in MMARS by July 3<sup>rd</sup> and will workflow to the Accounts Payable Bureau (APB) for review and electronic approval. Departments with advances must complete the advance refund process by August 31<sup>st</sup>.

## **Closing Advances**

To close the type 05 (DYNACASH) FY2012, the following steps must be taken:

1. Process Expenditure of Advance (EA) for expenditures incurred
2. The Department deposits a check into its sweep account.
3. The Department prepares an AR and submits the AR to a PENDING status. When viewed on the document catalog, the amount must be \$0.00 reflecting that this is a net zero payment. Refer to the AR Job Aid for details on document completion.

## **Departments with Emergency Payroll Dynacash Accounts**

This subsection pertains to Dynacash accounts used for emergency payroll payments at fiscal year end. All Departments must account for FY2012 advances prior to processing FY2013 advance requests. We recognize that there is a timing issue for Dynacash accounts and related advance processing at fiscal year end when there have been emergency payroll payments issued.

If there is a need to issue an emergency payroll check from a Department's Dynacash account for the payroll period May 20<sup>th</sup> – June 2<sup>nd</sup> (checks dated June 8<sup>th</sup>), then the recoupment of the Dynacash amount in the following payroll cycle, June 3<sup>rd</sup> – 16<sup>th</sup> will be credited back to the Department's Dynacash account on June 25<sup>th</sup>.

If there is an employee check problem during the June 3<sup>rd</sup> - June 16<sup>th</sup> cycle, Departments will need to issue a Dynacash check on June 22<sup>th</sup>. This payment must be issued from an FY2012 advance.

FY2013 requests for advance (RA) may be entered into MMARS during June in a reject status. E-mail request to the Accounts Payable Payee/Payments Unit Manager. To support immediate activation of FY2013 advance should be forwarded to CTR Accounts Payable Unit Manager by June 29<sup>th</sup>. Funds will be available July 1<sup>st</sup> for approved requests and the transactions will then be processed on July 6<sup>th</sup>.

A few Departments will have FY2013 requests for July 6<sup>th</sup> payroll checks pending before the return of the FY2012 advance. In those cases, the request for the FY2013 advance must be accompanied by the CFO's verification that a Dynacash deduction is pending for a June 22<sup>nd</sup> credit.

## **Prior Year Deficiencies**

The [Commonwealth Bill Paying Policy](#) states that all bills must be paid on time. The Prior Year Deficiency process is made available to departments when all attempts to meet the objective to pay bills on time fail. Departments should submit their Prior Year Deficiencies as soon as they are aware of them. Completed requests to pay prior year deficiencies out of FY2012 funds must be submitted to the Comptroller's Office, Accounts Payable Bureau, no later than June 29<sup>th</sup>.

It is inappropriate, and a state finance law violation, to intentionally delay acceptance of invoice, or to hold or delay processing of invoice past the end of the accounts payable period in order to trigger payment through a prior year deficiency. Equally inappropriate, is intentionally delaying receipt or acceptance of goods, services or other performance past June 30<sup>th</sup> in order to move the obligation into the next fiscal year because there are insufficient funds in the current fiscal year to make payment. CFOs should remind staff of state finance law obligations and that violations are actionable under [M.G.L. c. 29, §. 66](#).

## **OPENING**

### **Payment Request**

From July 1<sup>st</sup> through August 31<sup>st</sup> all Payment Requests transactions must have the identifying FY and BFY fields filled out with the appropriate information on all headers. For FY2012 payments, the header should be set up as FY2012, BFY2012 and for FY2013 should be set up as FY2013 and BFY2013 with the appropriate accounting period.

### **Advances**

Emergency Advance accounts are recommended in all Departments. No requests for advances will be approved for FY2013 until all FY2012 advances are properly accounted for. There may be a few Departments that will have FY opening requests before the return of the FY closing advance due to June 22<sup>nd</sup> payroll checks pending reimbursements.

In those cases, the request for the FY2013 opening advance must be accompanied by the CFO's verification that a DYNACASH deduction is pending.

### **Vendor Communications - Invoice Number and Payment Remittance Information**

The Vendor Invoice Number is the primary communication vehicle on the remittance advice (both electronic and paper). This number is 30 characters and must be unique for each payment made to a payee/customer. As part of a Department's opening activities, it is crucial to have standard procedures for establishing Vendor Invoice Numbers. Where possible, vendors should be consulted prior to a change in the basic data or format of the vendor invoice number (payment reference number).

Two standard lines of vendor invoice related data appear on the remittance advice or EFT file. Line 1 includes the Vendor Invoice Number, the transaction ID of the payment request, and the Department Telephone Number, which is disbursement contact information taken from unit table or, if not established there, from the Department Table, and amount. Line 2 includes the Department Location and Department Name, taken from Unit or Department Table as appropriate. This data appears on both EFT and checks.

**NOTE: Departments are reminded that Electronic Funds Transfer (EFT) is the mandated method of payment for all vendors that do business with the Commonwealth and that are expected to receive 4 or more payments. EFT is secure, reliable and much less expensive than paper check for both the vendor and the Commonwealth. Departments must analyze their active contracts, determine vendors currently paid by check and enroll them into the EFT program as soon as possible.**

See Section Five for Vendor/Customer issues, including responsibility to manage any updated vendor/customer information.

## Section Nine

# Payroll/LCM Management

### Section Introduction

This section provides detailed guidance on finalizing year-end payroll processing. Departments should read these instructions thoroughly to minimize unnecessary delays and problems with the fiscal year closing.

### Expiring Accounts – Limits on Expenditure Corrections

State Finance Law requires that funding be in place before services or other obligations can be requested or accepted by contract employees or regular employees (including contractors or employees funded through an ISA). Specifically, under [M.G.L. c. 29, §26](#); [M.G.L. c. 29, §27](#); and [M.G.L. c. 29, §29](#) departments may not incur a liability for the Commonwealth in excess of their appropriation or allotments and the Comptroller may not permit the disbursement (payment) or incurring of an obligation (encumbrance) without a sufficient appropriation and allotment.

If accounts are expiring, contracts must be terminated or suspended, personnel must be terminated, or contracts or personnel must be transferred to authorized appropriations.

Departments are also reminded that when they certify expenditure, the department is certifying that the expenditures were properly made from authorized accounts. The Comptroller may not make journal entry (expenditure correction) between accounts if the account ultimately to be charged had insufficient funds at the time the amount was expended from the other account, unless prior notice is sent to HOU and SEN Ways and Means. See [M.G.L. c. 7A, §3](#).

LARQs are appropriate only to correct accounting *mistakes*. LARQs should not be utilized to transfer expenditures incurred in one account in anticipation of funding in another account (such as waiting for an ISA, federal funds, or a supplemental appropriation). Expenditures for personnel or contract employees that are transferred to other account(s) because an account was not reauthorized, was reauthorized late, or was not established (child account for an ISA) may not retroactively transfer the expenditures incurred in the other accounts to the reauthorized or newly established account.

If an account is not reauthorized, reauthorized late, or was not established (child account for an ISA), expenditures for personnel or contract employees tied to these accounts would be transferred to other accounts. However, one may not retroactively transfer the expenditures incurred in the other accounts to the reauthorized or newly established account.

See Expenditure Correction policy in Section 3.

### Split-Year (Cross FY) Payroll

FY 2012 ends on June 30<sup>th</sup>. Because June 30<sup>th</sup> is also the last day of a pay period, there will be no Split-Year payroll. All payroll for the pay period ending June 30<sup>th</sup> will post to FY 2012.

### Payroll Management

#### Contractor Payroll Contract Employees

Employees cannot be consultants. [M.G.L. c. 29, § 29A](#) applies only to “non-employees” and therefore does not apply to contract employees. The [Expenditure Classification Handbook](#) provides object codes for contract employee types.

The contract requirement for having a Commonwealth Terms & Conditions form and a valid Standard Contract Form executed by the department and the contract employee remains unchanged. For FY2013 July 1<sup>st</sup> performance, a Standard Contract Form must be executed or renewed no later than June 30, 2012.

See [Individual Contractors: Contract Employees vs. Independent Contractors](#) policy and Payroll Accounting section below.

## Rules

### Position Authorized Accounting (POAA) Rules

In order for expenditures to be directed from an appropriation different than the HR/CMS position assigned appropriation, Departments must first receive CTR POAA Rule approval prior to establishing the appropriate LCM distribution document.

Rules are Fiscal Year based. In June, CTR will roll all POAA Rules. The POAA roll expires all of the current Rules as of 6/30 and creates DRAFT rules effective 7/1 going forward. ***Departments will need to resubmit approval requests for any Rules continuing 7/1 and thereafter.***

Note: Payroll Alternate Account (PALT) rules do not roll; therefore, a new PALT will need to be entered.

### Payroll Rejects (PRLIF/PRLDE)

PRLDE transactions are generated when an HR/CMS payroll expense has missing or erroneous data (i.e., incorrect expense budget or a missing program code, etc.) or when there are insufficient funds in a departmental budget.

PRLIF transactions are generated when there are insufficient funds in the central budget.

All FY2012 Payroll reject transactions and payroll accounts with negative uncommitted and unexpended balances must be corrected by July 06, 2012. Departments must post payroll rejects to accounting period 12 in Fiscal and Budget Year 2012 to ensure that payroll expenditures are recorded in the appropriate fiscal year.

### Regular Employee and Contractor Payroll Refunds (PRRV)

Payroll Refunds should be processed immediately. Departments must deposit cash to their sweep accounts and submit the Payroll Refund Receipt Voucher (PRRV) form and MMARS document to ensure employee Retirement and Departmental Appropriation balances are updated in a timely manner.

After the department enters the MMARS PRRV document detailing cash deposits, CTR's Payroll Bureau and the Retirement Board enter the employee corrections in HR/CMS and the Retirement System respectively. The HR/CMS transaction updates labor history in LCM and creates PRRFC (for the current year) or PRRFP (for the prior year) documents in MMARS. It is the department's responsibility to reconcile the PRRV document with the PRRFP/PRRFC document.

It is the department's responsibility to ensure the Prior FY Refund (Receipt Voucher) is processed in a timely manner. This will ensure the PRRFP is processed during the allotted close/open time frame.

For detailed instructions see [Job Aid regarding PRRV](#).

### Payroll Hold Transactions

Accounts Payable payroll refers to payroll expenses (wages) earned on or before the end of the Fiscal Year (June 30<sup>th</sup>) but paid during the accounts payable period. All Accounts Payable payroll expenditures must be set aside as encumbrances in MMARS via a Payroll Hold (PH).

Payroll Holds are needed at the Object Code Level to support payroll. If PHs are not processed in time, expenditures will go unfunded and checks will be held. (All PHs will be work flowed to CTR in order to help ensure proper setup.) Please be sure to set up PH lines with all anticipated object codes.

Departments create and modify all PH documents in MMARS. Departments can modify the PH amount upwards and downwards with the following level of approval.

- Between the time periods of May 1<sup>st</sup> to May 12<sup>th</sup> all valid PHs should process without ANF's approval.



- Between May 13<sup>th</sup> to June 30<sup>th</sup> ANF approval is required for PHs processed by Executive Departments where the Appropriation type is only for budgetary funds and the amount is equal to or greater than \$25,000 (See details in Encumbrance Section).
- After June 30<sup>th</sup>, all PHs do not require ANF's approval but require a justification for the late encumbrance in the document comment section.

At the end of the accounts payable period, unspent balances will be lapsed as part of the Comptroller's lapsing program. A deficiency payroll process should handle any payroll in unfunded accounts.

## ANF Platform

To access the Platform program, it must first be installed on your desktop. Please go to the Commonwealth of Massachusetts [Administration and Finance website](#) for instructions on how to install the application. After installing it, double-click on the icon on your desktop. You will be prompted for your ID and password, which are the same as the ones you used to complete spending plans this year. To enter a new request, or to review the status of a request, click on the Platform menu and the option "Late Encumbrance Requests". To add a new user, please contact [Thong Tran](#) at ANF.

## Accounts Payable Payroll

State Finance Law requires that annual appropriations may be expended only for expenses for the same fiscal year. (See [M.G.L. c.29, §12](#).) This means goods and services to be paid from current fiscal year appropriations must be received and accepted within that same fiscal year (July 1-June 30) (see [M.G.L. c. 4, §7](#)).

All payroll expenses processed during the Accounts Payable period must charge a Payroll Hold and must be budgeted for when calculating UI/UHI and Medicare Chargebacks (Object code DO9).

Departments will have at least **three** opportunities to process accounts payable payrolls between July and August for services performed during FY2012.

Funded/unfunded activity will appear on the current LCM Iterative Reports. There will not be separate Fiscal Year Reports.

***The LAST REGULAR ACCOUNTS PAYABLE PAYROLL is Pay Period ending August 11<sup>th</sup>; pay date August 17<sup>th</sup>.***

## Reminder: HR/CMS Timesheet Entries

Payroll will post to the fiscal year based on the date in the timesheet. If a prior period timesheet entry is made on a date on or before June 30, 2012, the pay will charge FY2012. In timesheets, **including those entered by employees in Self-service**, fiscal staff will need to ensure that a Payroll Hold is established for these payments.

## Departments with Emergency Payroll Dynacash Accounts

All departments must account for Fiscal Year advances prior to making any current Fiscal Year advance requests. Dynacash payments must be recorded in the Fiscal Year that corresponds to the Paycheck Pay Date. All HR/CMS paychecks have a Friday Pay date.

To ensure the proper Fiscal Year accounting, the following guidelines have been established:

- For Dynacash checks issued for pay period May 20 – June 2 (checks dated June 8), the funds would be recouped in the following pay period (6/3- 6/16) and credited back to the department's Dynacash account on June 22<sup>th</sup>.
- If there is a need to issue a Dynacash check for pay period June 3<sup>th</sup> - June 16<sup>th</sup> (checks dated June 22<sup>th</sup>), the payment must be issued from an FY2012 Dynacash account.\*\* FY2013 requests for advance (RA) may be entered into MMARS during June in a reject status. Documentation should be forwarded to CTR and processed on July 1<sup>st</sup>. Please e-mail Payment Unit (See the [CTR Staff Directory](#).) with any emergency requests.
- Departments with pending FY2012 Accounts and FY2013 emergency requests must submit with CFO's verification that a Dynacash deduction is pending for a June 30<sup>th</sup> credit.

Dynacash cannot be used to pay unfunded payroll expenditures.

## **OPENING**

### **Payroll Processing**

For budgeted funds, intergovernmental and federal grant accounts, provisional obligation ceilings will be loaded in MMARS in May. Employee payroll will be processed and payments will be issued in accordance with the approved interim budget. Special processing is not required if your FY2013 payroll appropriation was part of the House 1 load. ANF and CTR will work with departments to address any situation where timely extension of expiring accounts does not occur and the FY2013 payroll account does not exist in MMARS.

After the FY2013 General Appropriation Act (GAA) has been loaded, departments must reconcile the accounting discrepancies resulting from the fiscal year transition period. If needed, CTR, HRD, ITD and ANF staff will be available to assist departments on account structuring, position scheduling, and other changes after the Governor's approval.

### **Split-Year**

FY2013 starts on July 1<sup>st</sup>. Because July 1<sup>st</sup> is the first day of a pay period, there will be no Split-Year payroll. All payroll for the pay period starting July 1<sup>st</sup> will post to FY 2013.

### **Payroll Accounting**

#### **HR/CMS Processing**

Assigning Accounts to Positions is an HR/CMS human resource function and must be managed in accordance with the new Fiscal Year's GAA. Expiring accounts that are assigned to positions must be transferred by July 1<sup>st</sup>; otherwise departments risk funding issues.

To assist departments in identifying MMARS Account numbers not valid in the upcoming fiscal year, report HMMMARS3 was created. The goal is to ensure all positions are tied to a valid funding source before the first pay period in the new fiscal year.

The report displays any active positions both with and without incumbents that have an invalid account number. Multiple iterations of this report run in hopes that agencies will have sufficient time to make the needed changes.

*Agencies must take corrective action to rectify these issues.*

The Document Direct Report HMMMARS3 will run multiple times after MMARS rolls its Appropriation Table, this typically occurs in May.

Note: Consolidating departments or departments with major account restructuring should contact CTR and HRD to arrange for mass automated position transfers and related security changes.

#### **Determination of Employee Work Status - Contract Employee vs. Independent Contractors – Posting or Procurement?**

Departments hiring "Individual Contractors" as either "contract employees" or "independent contractors" are required to comply with the policy [Individual Contractors - Independent Contractors or Contract Employees](#).

A department does not always know in advance whether services can be best performed by an individual contractor or by a company or firm. Therefore, whenever services are being performed, the department should apply the Commonwealth Three-Part Test to the business needs by completing the [Employment Status Form](#).

#### **Contract Employees**

If the scope of performance determined that this is an employee/employer relationship, the department may hire an individual as a contract employee through its regular recruitment process for other employees. Payments must be either through HR/CMS or e\*mpac. For contract employees, the Commonwealth Terms and Conditions

form and the Standard Contract Form must be executed. To confirm the employment status when a contract is signed with an individual contractor selected from either an RFR (independent contractor) or posting (contract employee), attach a completed Employment Status Form to the Standard Contract Form.

The Attorney General's Office (AGO) may impose penalties if the three-part test show that an individual should be a contract employee and the individual was misclassified as an Independent Contractor.

### Independent Contractor

If the test determines that the individual falls into the Independent Contractor category, Executive Departments must use an existing statewide contract (unless a waiver is granted by the Operational Services Division (OSD)). If there is no statewide contract, the department may:

- Use an incidental purchase if the total value of the services for the duration of the need is \$5,000 or less, if object code allows. See link to Expenditure Classification Handbook - [Expenditure Classification Handbook](#),
- Conduct an RFR/procurement if value of the services for the duration of the need exceeds \$5,000.

Exception: Object Codes H09 and N03 for legal services procured by Executive Departments require prior approval of the Governor's Chief Legal Counsel prior to selection under MGL c. 30, §65 and 801 CMR 21.01(2)(b) and prior AGO approval. These object codes also require secretariat sign-off for amounts over \$1,000. Independent Contractors must be paid through the State Accounting System (MMARS).

### LCM Rollovers

In conjunction with new Fiscal Year processing and potential changes in MMARS Chart of Account Elements, certain tables in LCM must be maintained.

POAA Rules will be rolled automatically and will not be effective as of July 1. PALT Rules expire on June 30<sup>th</sup>. When payroll processes for July, these Rules will NOT be considered. Departments must reapply for all Rules. See the Rules section of this document.

CTR will contact Departments to confirm that DEACC rules are to be continued into FY 2013.

Employee Defaults (DEPTE) and Profiles (LDPR and EDPR) will remain effective through the new Fiscal Year and will be considered when payroll processes. Departments must ensure that employee distributions and profiles are valid. Any new FY COA elements will require new distribution documents effective as of July 1.

Note on POAA Roll- CTR will roll all POAA rules that have an Effective Date that would exceed June 30. The automated Roll will create a new POAA document in DRAFT status with a Begin Date of 7/1. Departments will need to reapply for approval in the new Fiscal Year. The former POAA will remain active but will only apply to activity prior to 7/1.

### Payroll Certification

All expenditures, including payroll, of the Commonwealth must be authorized in accordance with [M.G.L. c. 29, § 20](#), [M.G.L. c. 29, § 31](#), and [M.G.L. c. 7A § 3](#). Expenditures for payroll are no different than expenditures for goods and services when it comes to the approval process. **Pursuant to M.G.L. c. 29 § 31, the Comptroller requires certification from each spending authority that each employee receiving a salary under the warrant is being paid for duties performed directly for the employing agency and not for duties performed for another state agency.** Expenditures under HR/CMS are paid in arrears based on a centralized time and attendance system, which must be certified by an authorized department head signatory as follows:

*This payroll has been processed in accordance with the Commonwealth's Payroll Policy, State Finance Law and this department's Internal Control Plan. The amount listed has been certified to the Comptroller through the payroll system for payment. This certifies that time and attendance for each employee is on file in this department and has been approved*

by the appropriate manager to support amounts paid. This approval and supporting details will remain on file in this department for three years for review by the Office of the Comptroller or other auditing entity.

**Department Head Signature Authorization may NOT be delegated to a “contract” employee, to any “non-employee” (such as a consultant, or employee of an outside entity, an Authority or quasi-public agency) or to an employee of another department since these individuals may NOT act as agents of the Department Head.**

## MMARS Rollover Validation

Tasks in this section will help ensure HR/CMS, LCM and MMARS rolls have been completed, the data validated and systems are ready to record new FY activity.

	Responsible	Task	System	Start	Due
<input type="checkbox"/>	Departments that have Positions tied to non continuing accounts	Identify the employees/positions that must be transferred due to account termination.	HR/CMS	4/28	6/8
<input type="checkbox"/>	EOHHS Departments	Review Activity table for EOHHS requirements	MMARS	5/6	5/31
<input type="checkbox"/>	Departments with Federal Grant Appropriations	Review Major Program table	MMARS	5/6	5/31
<input type="checkbox"/>	Departments that fund payroll with Capital (type 2) or Federal Grant (type 4) appropriations	Review Program table for Grants/Capital	MMARS	5/6	5/31
<input type="checkbox"/>	Departments that fund payroll w/ DCAM child appropriations	Review Program/Activity/Phase table for Capital Level 4 budget	MMARS	5/6	5/31
<input type="checkbox"/>	Departments that have LCM Detail Accounting Labor Distribution Fields	Identify Chart of Accounts codes to be added, changed or deleted on LCM Defaults	LCM	5/6	5/31
<input type="checkbox"/>	Departments that use POAA	Review new FY POAA Rules generated by Rules Roll. “Submit” continuing POAAs, “Discard” the non continuing POAAs.	LCM	5/30	6/8

## New Fiscal Year Processing

This section includes the tasks for setting up all Tables for new FY processing.

As new FY changes are identified and documents created, it is important to use the correct Effective Date that corresponds to distribution. Generally a 7/1/XX Effective Date corresponds to new FY COA Tables.

	Responsible	Task	System	Start	Due
<input type="checkbox"/>	Departments with non continuing payroll accounts	Transfer Positions that are assigned to invalid accounts in the new FY. Contact HRD to arrange Mass Position transfer.	HR/CMS	4/30	6/8
<input type="checkbox"/>	Departments that use Event Accounting Rules distribution	Verify whether current Department DEACC Rules should continue for new FY processing	LCM	4/30	6/8
<input type="checkbox"/>	Departments that use Alternate Account for payroll funding	Set up Alternate Accounts (PALT) Rules for new FY	LCM	4/30	6/8
<input type="checkbox"/>	Departments that use POAA	Confirm POAA Rules are in "Approved" Status for new FY	LCM	6/1	6/30
<input type="checkbox"/>	Departments with changing COA elements	Set up Employee Default Distributions: DEPTE, LDPR and EDPR as desired for new FY	LCM	4/30	6/8
<input type="checkbox"/>	All Departments	Finalize MMARS Expense Budget Docs	MMARS	4/30	6/8
<input type="checkbox"/>	Departments that have Capital (type 2) or Federal Grant (type 4)	Finalize MMARS Capital and Grant Budget Documents	MMARS	4/30	6/8
<input type="checkbox"/>	All Departments	Create PH documents if required for AP Payroll	MMARS	4/30	6/30
<input type="checkbox"/>	All Departments	Before renewal, perform Contract Employees vs. Independent Contractors tests. Independent Contractors must be paid through the State Accounting System.	MMARS HR/CMS or e*mpac	4/30	6/30
<input type="checkbox"/>	All Departments	Process prior FY PRRV/PRRFC transactions in non-continuing accounts	MMARS	4/30	6/16
<input type="checkbox"/>					

## New Fiscal Year and Accounts Payable

This section includes tasks and other key dates for Payroll Processing

	Responsible	Task	System	Start	Due
<input type="checkbox"/>	All Departments	Enter Time and Attendance for Split-Year payroll.	HR/CMS	n/a	n/a
<input type="checkbox"/>	All Departments	All prior FY payroll accounts with negative uncommitted and unexpended balances must be corrected.	MMARS		7/6
<input type="checkbox"/>	All Departments	Set-up Employee Default Distributions for Split-Year payroll: DEPTE, LDPR and EDPR.	LCM	6/17	7/1
<input type="checkbox"/>	All Departments	Deadline for correcting prior FY PRLIF and PRLDE documents.	MMARS		7/6
<input type="checkbox"/>	All Departments	Last date to enter AP payroll for ppe 7/14/12	HR/CMS		7/16
<input type="checkbox"/>	All Departments	Last date to enter AP payroll for ppe 7/28/12	HR/CMS		7/30
<input type="checkbox"/>	All Departments	Last date to enter AP payroll for ppe 8/11/12	HR/CMS		8/13
<input type="checkbox"/>	All Departments	Last day for FY2012 LARQs	LCM		9/1
<input type="checkbox"/>	All Departments	Payroll Hold (PH) Lapse	MMARS		9/1

## How Do I Learn More?

Questions about this document may be directed to your Department's MMARS Liaison. Additional information is available on the [CTR Web Portal](#).

Contact the Help Desk at 617-973-2468 for assistance in using LCM and MMARS  
Contact Commonhelp at 1-866-888-2808 for any HR/CMS questions.

## Section Ten

### Revenue Management and Cash Receipts

#### Introduction

Departments are responsible for making diligent efforts to collect legislatively authorized, aged earned revenue/account receivables owed the Commonwealth. These efforts include, but are not limited to, the following debt collection cycle: initial billing, dunning, intercept, and debt collection. If all efforts are made and collection is not possible, a department can submit the debt to the Office of the Comptroller (CTR) for write off. In addition, Departments must pay special attention to year end closing instructions to account for all cash receipts in the appropriate fiscal year.

#### Key Cash and Revenue Management Dates:

**Please note: Throughout the fiscal year, Departments need to continuously review and clean up all REs and CRs not in final status. We also encourage departments to process refunds to customers whom you know will not continue doing business with the Commonwealth. These refunds should be to customers that have overpaid.**

Date	Activity
June 1	Clean up REs and CRs not in FINAL status in MMARS, and determine which customers will need to be sent a refund from overpayments.
June 8	Last day to submit FY2012 Write Off Requests to CTR
June 22	Last day to process FY2012 Revenue Transactions requiring CTR approval
June 30	Last full day to receive cash for FY2012
July 2	<p><b>NOON Cash cut-off – FY2012 cash must be deposited by noon.</b></p> <p>Please Note:</p> <p>Department statements, past due invoices including collection letters, finance charge chain, and payment plan processing will not be generated until after all FY2012 receivables roll into FY2013.</p> <p>Departments will not be able to process FY2013 CRs against prior year receivables until after the receivable roll.</p> <p>CTR will not process any Bank of America CMCR lockbox or HP ePay transactions until after the receivable roll.</p> <p>CTR will not process any MMARS Warrant Intercepts against delinquent receivables until after the receivable roll.</p>
July 3	<p>Final day to enter FY2012 REs</p> <p>Final day to verify that all FY2012 REs and CRs referencing REs are in final status and are ready for the RE Roll on <b>July 4, 2012.</b></p>
July 4	FY2012 RE Roll to FY2013.
August 16	Final day to complete reconciliation of NGA208W Accounting Period 12 of FY2012.

Reports that can assist departments in reviewing their Accounts Receivable activity are:

Report ID	Report Title	Description
NAR401W	Accounts Receivable Detail Transaction Activity for FY XXXX, Period XX	Billed Earned Receivables and Collected Earned Revenue
NAR402SD	Cash Receipt Generation Detail Report	Detailed CRs automatically generated by CMCR lockbox or ePay
NAR403BD	Master Lock Box Daily Deposit - Detail	Copy of Bank file for individual CMCR lockbox transactions
NAR405S	Revenue Statement Report	Unbilled Earned Revenue, Billed Earned Revenue, Collected Earned Revenue, Collected Unearned/Def Revenue
NAR410SD	Aging Receivables Report - Detailed Aging Receivables by Dept, Unit, and Billing Profile	Days past due (0-30, 31-60, 61-90, 91+)
NAR411WD	Accounts Receivable and Revenue by Department Report	Prior FY Revenue, Current FY Revenue, BFY O/S Receivables, Pending O/S Receivables, Uncollectibles, Deferred
NAR411WU	Accounts Receivable and Revenue by Dept and Unit Report	Same as NAR411WD
NGA208W	Cash Received and Allocated by the Commonwealth for FY XXXX, Period XX	Collected Earned Revenue

## Cash Receipts (CRs)

Cash receipts on hand or on deposit as of June 30, 2012 are FY2012 assets and revenue of the Commonwealth and need to be reflected as such on the annual financial statements.

**Final deposits for June 30<sup>th</sup> collections must be posted by the bank by noon on Monday, July 2, 2012.** To ensure that all deposits reflected in clearing accounts are properly posted for the FY2012 closing, departments should enter CRs at the same time that the deposits are made for cash received through June 30<sup>th</sup>. All FY2012 CRs should be entered by July 2, 2012 and must be marked Period 12 AFY2012 and BFY2012. Care must be taken in preparing CRs either manually or through an interface so that they are marked with the proper fiscal year.

The Office of the Treasurer and Receiver General (TRE) will process sweeps to properly credit deposits received by noon on July 2<sup>nd</sup>. In the event that funds deposited with the bank by noon July 2<sup>nd</sup> are swept late or posted to FY2013 by TRE, the CTR General Accounting Bureau will work with departments to adjust these funds back to FY2012.

Adjustments to fiscal year that cash was received will be made **ONLY** with proof of deposit (i.e., a deposit slip/receipt, stamped with date/time, by the bank) **and** a certification signed by the department's CFO. Written requests should be submitted to Eric Dickstein, Ledger Unit Manager.

All sweep/clearing accounts (Fund 0699 / RSRC 6900) must be zero by the close of period 12. Departments that need assistance should contact the General Accounting Bureau.

## Cash Management Central Remit (CMCR) Lockbox and Electronic Payment (ePay) Processing

Deposits received at all sponsored lockbox banking facilities by 11:59 p.m. on Saturday, June 30, 2012 will be recorded in MMARS as FY2012 revenue. The bank will provide CTR two separate deposit files on Monday, July 2<sup>nd</sup>: one for collections received by 11:59 p.m. on June 30<sup>th</sup>; and one for those received at 12:00 midnight and later on July 1<sup>st</sup>.

Deposits received through the ePay process by 11:59 p.m. on Saturday, June 30, 2012 will be recorded in MMARS as FY2012 revenue. On Monday, July 2<sup>nd</sup>, the ePay vendor will provide CTR two separate deposit files: one for transactions processed by 11:59 p.m. on June 30<sup>th</sup>; and one for those transactions processed at 12:00 midnight and after on July 1<sup>st</sup>.

CTR and Departments will reconcile the lockbox and ePay deposits to MMARS to ensure that the deposits have been recorded in the appropriate fiscal year. CTR will make any corrections.



Reports that Departments can use to reconcile their lockbox and ePay CRs and deposits are the NAR402SD - CR Generation Report; and NAR403BD - Master Lockbox Daily Deposit Report.

## Credit Balances

Departments are encouraged to apply credit balances to outstanding REs or issue refunds to customers before June 30, 2012. Customers with credit balances can be found on the Customer Account Table (CUSTA) under the Unreserved Credit Balance field. Credit balances are placed in the 2257 balance sheet account, which will roll the cash to the next fiscal year and allow departments to apply the credit to future REs or issue a refund.

## Revenue Refunds Type One

Departments that have processed a revenue refund, and have referenced the CR on the Refund Type One (RF1) to reverse the payment applied to a receivable, will notice that the refund type one (RF1) is not backing out the cash against the receivable. The receivable appears as closed with a payment being applied. Once the refund type one has been processed, the cash is refunded. Departments will need to use the forward reference keys on the receivable to follow the audit trail of the refund.

Departments can view their revenue refunds (RF1) by querying the M\_GA\_Accounting\_Journal and including the event type codes AP08 and AP10.

Refunds processed due to an overpayment are not affected by this business policy. Overpayment refunds reference the overpayment line of a CR. When processing the refund, they will need to use event type AP08. It is recommended you should process all refunds by June 30, 2012.

In continuing accounts (2CN, 3TN and 4FN), the uncommitted balance is rolled forward into the new fiscal year as the beginning balance. Therefore, after the balance forward occurs, refunds **must** be processed as a payment (PRC or GAX) rather than a revenue refund (RF1).

## Intercept Refunds

Departments that have had an intercept against a MMARS receivable and need to refund the debtor can process a refund type one (RF1) referencing the receivable revenue budget (event type AP10). Departments cannot reference the IT document on the refund. Rather, they should enter the IT document number of the incorrect intercept in the description field under the accounting line section for audit purposes. This field can be queried in the future if needed. This action does not reverse the cash that has been applied against the receivable.

## Reporting of Statutory and GAAP Receivables

Statutory receivables are defined as receivables due from a governmental body that are related to expenses incurred on or before June 30<sup>th</sup> and collected by August 31<sup>st</sup>. On the other hand, GAAP receivables are defined as receivables that are related to expenses incurred on or before June 30<sup>th</sup>, collected after August 31<sup>st</sup> and are measurable.

Type of Receivable	Goods or Services Rendered	Revenue Received	Government	Private
Statutory	On or before June 30 <sup>th</sup>	On or before August 31 <sup>st</sup>	Yes	No
GAAP	On or before June 30 <sup>th</sup>	August 31 <sup>st</sup> and the amount due is absolutely known and certain to be collected.	Yes	Yes

Instructions regarding the reporting of Statutory and GAAP Receivables will be sent under separate cover.

## **Institutions of Higher Education**

Per M.G.L. 15A, §.15C, public institutions of higher education are required to report monthly by subsidiary all expenditures and revenues from all appropriated and non-appropriated funds on MMARS. Please see the section, "Summary Receivable Management Across Fiscal Years" for Summary Reporting instructions.

## **RE Roll Information**

FY2012 RE document accounting lines with open balances are rolled into the new fiscal year. The receivable roll will occur on Wednesday, July 4<sup>th</sup>, 2012. This means that any RE that has at least one line with a Line Amount greater than the line's Closed Amount will roll into the new fiscal year.

Because only those REs in a Final status with an open balance will roll, it is imperative that departments ensure that all FY2012 RE, RE modifications, WOs and CRs referencing REs are in FINAL status by close of business July 3, 2012.

The RE Roll will:

1. Create a new RE Modification version.
2. Add the text *Roll Document from 2012 to 2013* to the RE Header Document Description field.
3. Increase the Budget Fiscal Year value on the open RE line (only this line) from 2012 to 2013.
4. Select an RE line Reason Code of *ROLLRE*.
5. Create one Posting Line that decreases Billed Earned Revenue in BFY2012 and one Posting Line that increases Billed Earned Revenue in BFY2013.

The result of rolling the open RE lines is a decrease to the Billed Earned Revenue on the BQ82 tables in BFY2012 and an increase to the Billed Earned Revenue in BFY2013.

During the month of June, the CTR General Accounting Bureau, Non-Tax Revenue Unit will contact departments that use the RE document to assist in document cleanup as well as confirm the exact roll date for each department. REs created as a result of automated central draw transactions related to federal grants will not roll (See Section 4 ) for more information about Federal Grants).

## **Payment Plan**

All *Cancelled* PSCHD records associated with a receivable that have an open balance must be marked "ready for deletion" by June 30, 2012. Records not marked for deletion that result in receivables rolling to the new year will not be able to be modified – the error message will read: "RE is associated with a payment plan". To prevent this, departments should go to PSCHD and select "Ready to be Deleted" for all cancelled PSCHD records with an open RE balance.

## **Summary Receivable Management Across Fiscal Years**

Departments recording their accounts receivable using a MMARS Summary Receivable document must ensure their outstanding year-end balance is accurate prior to the RE Roll on July 4, 2012. Summary RE documents will roll all outstanding Billed Earned Revenue into the next fiscal year. Departments must not decrease their open balances prior to the RE Roll; all Summary RE documents will be included in the RE Roll. If a departments wishes to create a new Summary RE document to represent new fiscal year business, then the department must wait until after the Receivable Roll. Once the Summary RE has rolled into the new fiscal year a department can then decrease the Summary RE line balance to zero and create a new RE for the amount decreased.

Departments that wish to post a Summary RE and maintain the same document across fiscal years need to understand the difference in adjusting their outstanding receivables in MMARS.

Receivables are modified (increased and/or decreased) by completely blanking out the dollar figure on the accounting line amount and entering the new actual amount. When estimating the account receivable amount for the new fiscal year, a

department will need to add the previous billed amount (which is the current accounting line amount) to the new estimated amount and use that as the new amount on the accounting line.

**For example:** If a summary receivable was billed for \$1,000,000 in FY2012 and a department wants to estimate the new billed amount to be increased by \$1,500,000 for FY2013, the department will need to modify the existing accounting line amount field to \$2,500,000. This number represents last year's billed amount of \$1,000,000 plus the current estimated billed amount of \$1,500,000.

## **Debt Collector Services**

The Commonwealth's statewide contract for debt collector services engages private entities to collect outstanding debt on behalf of the Commonwealth. All information about this contract is available from the Commonwealth's procurement website, [www.comm-pass.com](http://www.comm-pass.com), and searching on the contract number PRF28designatedOSC. If after reviewing this information Departments continue to have questions, they should send them to: [debtcollectioncontract@massmail.state.ma.us](mailto:debtcollectioncontract@massmail.state.ma.us)

All FY2012 collections made by a debt collector agency on behalf of a department must be deposited into the department's approved bank account by noon July 2, 2012. Departments should remind debt collection agencies of this deposit requirement to ensure accurate accounting of FY2012 debt collected.

Departments also need to remind debt collection agencies that reporting and invoicing requirements may differ from their normal reporting/invoicing schedule, but are required for proper fiscal year end closing: No later than July 2, 2012, the debt collection agency must submit the required standard electronic debt collection report and invoice for all debt collected through June 30, 2012. Departments should review this information for accuracy and process any resultant payment vouchers no later than July 2, 2012.

## **Receivable Modification vs. Write-Off**

Receivable modifications and write-offs serve two distinctly different purposes. Modifications adjust a legitimate receivable to accurately reflect its current amount (job aids describing creating and modifying receivables are available in the Accounts Receivable section of the Comptroller's website). Write-offs, on the other hand, are requested when a department has exhausted all efforts to collect the debt. Write-off requirements are described in greater detail below.

## **Receivable Modifications Totaling \$100,000 or More**

Receivable modifications that total \$100,000 go to a PENDING status in MMARS and require approval and override from the CTR General Accounting Bureau. Departments need to submit a request for Receivable Modification to increase or decrease receivables. The [Receivable Modification Request Form](#), along with its accompanying CTR policy on Reporting of Earned Revenue/Accounts Receivable is available from the [Comptroller's website](#). The last date to process revenue transactions requiring CTR approval is June 22, 2012.

## **Write-Off**

All write-off requests must be sent in writing to Julia P. Burns, Director, General Accounting Bureau by June 8, 2012 in order to be approved for FY2012. Departments that have a large number of write off requests (over one hundred receivables) will be required to interface a write off file once their write off request has been approved. Departments requiring adjustments after the close of period 12 should contact the General Accounting Bureau at CTR.

Prior to submitting a write off request, departments must attempt to collect the debt either through intercept, debt collection or both, unless legislatively authorized to be exempt from these requirements.

The following guidelines are to be used for departments requesting a write off:

- The account receivable(s) being written off must be on BARS. If not on BARS, a reason must be specified.
- Departments must submit a formal letter and include a copy of the write off request form (available on the CTR website).

- Original evidence documentation must be submitted with the request showing that diligent efforts were made to collect. Types of evidence documentation may include a debt collection agency's close and return report, bankruptcy rulings, the use of intercepts, etc.
- If a department does not have evidence documentation for their request, the department must provide a copy of their legislative authority preventing them from using any type of collection methods.
- Debt Collection Agencies may not refer any debt directly to the Office of the Comptroller to be written off.
- Requests that do not have sufficient documentation and/or are partially completed will be returned to the department for completion. Reminder: No documentation should include personally identifiable information such as SSN.

The write off transaction (WO) automatically reduces to zero the remaining debt of a receivable event. Departments can view their write offs by querying the M\_GA\_Accounting\_Journal and entering event type code AR86 and a classification code of 15.

## **Cash Reconciliation**

Departments should reconcile revenue and cash on a monthly basis within 5 days of month end. (This includes CD, CR, ER and PRRV documents.)

### **Monthly Cash Reconciliation**

Bank statement deposits must be reconciled to cash deposits on a monthly basis. Please note that a deposit made on the last day (or close to the last day) of the month may not appear on that same month's bank statement.

### **Tools for Cash Reconciliation**

Departments have a variety of tools available to aid in the monthly reconciliation. The MMARS central revenue budget table BQ82 level 3 lists the deposits (CD) and allocated revenue (CR). These transactions can be accessed by clicking on the hourglass under the collected earned revenue or the collected/unearned revenue fields. The M\_GA\_Accounting\_Journal from the Information Warehouse can be queried to list both deposits and allocated revenue by accounting period. To ensure that cash and revenue are properly reflected, departments can also use Report NGA208W - Cash Received and Allocated, and Report NAR401W – Accounting Receivable Detail Transaction Activity.

### **Transactions that Collect and Transfer Cash**

In MMARS, cash deposits (CDs) post funds to a department's sweep account. The cash receipt (CR) and the intercept document (IT) apply cash against receivable and/or transfer cash to a central revenue budget. When reconciling cash received, departments must take into account both the CR and IT transactions (discussed in detail below). The CR transaction that has an adjustment reason code of non-sufficient funds (NF) has reversed cash from the receivable back to the sweep account. Both the CR and the non-sufficient fund CR can be viewed in the M\_GA\_Accounting\_Journal. Departments can query using Closing Classification Code 14 (collected earned revenue), pulling in the adjustment reason field, and entering "NSFCHECK" as the criteria to view non-sufficient fund CRs. This information is required in order to know which CR reversed cash due to insufficient funds.

Schools of Higher Education that book trust funds on their summary receivable and post cash using a Receipt of Trust (RT) against the summary receivable can query collected revenue by using the event type AR02.

For information on Expenditure Refund (ER) and Payroll Revenue Refund Voucher (PRRV) documents, see Section Three.

## **Electronic Payments (ePay)**

Part of the Commonwealth's eGovernment Initiative includes a contract to facilitate electronic payment implementation by departments. The Statewide Contract for Electronic Payment Processing Services (PRF44designatedOSC) gives eligible Commonwealth entities the option to offer their customers a variety of payment methods. Our customers may pay for goods, services and other obligations via Automated Clearing House transactions (ACH,) and credit cards (Visa, MasterCard, Discover and/or American Express). The "ePay" transactions can be processed over the web, over the phone via Interactive Voice Response (IVR), or at the point of sale. CTR, with designation from OSD, administers the contract.

Executive Offices, Departments, Agencies, Offices, Divisions, Boards, Commissions, or Institutions within the Executive Branch are required to use this contract. The Legislative Branch, the Judicial Branch, the Constitutional Offices, Elected Offices, Public Institutions of Higher Education, and the Military Division are not required, but may choose to use this Statewide Contract. Cities, towns, municipalities and State Authorities may also choose use this Statewide Contract.

The vendors currently selected under this contract are:

1. HP –provides web and IVR applications and access to the ACH banking network;
2. Bank of America (BoA) – provides credit card processing for Visa, MasterCard, and Discover; and
3. American Express (Amex) – processes Amex branded credit card transactions.

Departments can choose which payment options they want to use; they are not required by the contract to offer all forms of payment or credit card types. In addition, the same Department may have different programs requiring different payment solutions, card types, etc., all of which can be accommodated. Each department is solely responsible for designating appropriated funds to pay for their transaction fee obligations.

All departments collecting Commonwealth revenue are required to comply with accounting standards established by the Comptroller to ensure that the revenue is properly accounted for and the collection methods comply with state finance law, including Payment Card Industry (PCI) Compliance, and any additional banking requirements of the State Treasurer's Office.

Additional information on the contract is available at <http://www.comm-pass.com> by searching for PRF44designatedOSC or contact Patricia Davis at 617-973-2332.

### **Payment Card Industry Compliance (PCI) Initiative**

The PCI Data Security Standard (DSS) is a mandatory compliance program of the major credit card associations to create common industry security requirements for cardholder data. All Commonwealth entities that process, transmit, or store credit card payment data (internally or through a 3<sup>rd</sup> party processor) through ANY means (lockbox, mail, cashier window, point-of-sale (POS) device, telephone, interactive voice response(IVR) systems, or web application) must certify (immediately or on their annual compliance anniversary date) that the entity is PCI compliant. In addition, Commonwealth entities must address security of all electronic payments data including EFT and ACH transactions using the PCI DSS framework. PCI compliance must be validated prior to implementing any new application or program that will accept electronic payments.

More information about PCI Compliance can be found at <https://www.pcisecuritystandards.org/>.

The Office of the Comptroller (CTR) engages contractors certified by the PCI Council as Qualified Security Assessors (QSAs) and Approved Scanning Vendors (ASVs). Departments must engage PCI compliance contractors to validate initial and ongoing PCI compliance. Contractors are qualified to provide the consulting, validation, and scanning services for Commonwealth entities. Information for each of the Contractors is posted on [www.comm-pass.com](http://www.comm-pass.com) (search under "contracts" under search term "CTRPCI"). The forms to be used for engaging a Contractor are posted under "Forms and Terms". For audit purposes, the contract will be administered through CTR.

As long as a Department accepts ACH or credit card payments, the Department is responsible for annual completion of the Self Assessment Questionnaire (SAQ), quarterly tests and scans (if required), and submission of the Attestation of Compliance (AOC) to the Comptroller. In addition, the PCI standards may require more in-depth security reviews such as penetration tests, code reviews, and file integrity monitoring.

PCI compliance was recently cited by the American Institute of Certified Public Accountants (AICPA) in an Audit Risk Alert and will be included in the Statewide Single Audit this year.

Due to the mandatory requirement that any Commonwealth merchant maintain PCI compliance if accepting credit cards for payments, entities must ensure that sufficient funds are budgeted in annual spending plans and set aside for initial and annual PCI compliance, including any remediation areas identified. We urge you to immediately identify funding, resources, and personnel to complete PCI compliance. Please do not hesitate to contact Patricia Davis at 617-973-2332 with any questions.

# Section Eleven

## GAAP and Capital Assets

### Section Introduction

This section outlines GAAP and capital asset requirements for departments.

### Generally Accepted Accounting Principles (GAAP)

Since FY1986, the Commonwealth has issued an audited Comprehensive Annual Financial Report (CAFR) with financial statements prepared according to Generally Accepted Accounting Principles (GAAP). Since FY1990, the CAFR has received unqualified opinions from the independent auditors, and the CAFRs for FY1990 through FY2010 have been awarded the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting. The FY2011 CAFR has also been submitted to the GFOA Certificate of Achievement Program. These GAAP-based CAFRs, and their recognition for excellence, are increasingly important to the financial community as a measure of the Commonwealth's fiscal responsibility. **The quality of CAFR financial information depends upon individual and department efforts to prepare timely and accurate GAAP reporting packages.**

The basic FY2012 department GAAP instructions will be issued by May 25<sup>th</sup>. The GAAP reporting package is due back to CTR **by August 6<sup>th</sup>, 2012**. Any department that submits their information after this deadline may be subject to an audit finding.

Encumbrance management practices will again be relied upon to provide the basis for most accounts payable reporting. Departments that prepare GAAP information beyond the basic GAAP Department reporting will be contacted individually to review and coordinate FY2012 special GAAP reporting.

As in prior years, separate GAAP Instructions will be published to provide a detailed walk-through of procedures and sample forms/reports to be used. Major points of emphasis will be:

- 1). Use of queries/CIW reports to support analysis of accounts receivable, allowances for uncollectible and deferred inflow of resources. Special assistance will be provided to departments with complicated reporting issues. All accounts receivable adjustments must be entered in MMARS by July 3, 2012 to facilitate the accounts receivable roll to FY2013.
- 2). Timely departmental review and update of HR/CMS data to support accurate compilation and audit of compensated absence accruals.
- 3). Use of the web-based GAAP reporting to improve data collection.

### Capital Assets

MMARS fully supports the departmental entry of capital asset documents (acquisitions, betterments, transfers, dispositions and modifications). The MMARS capital asset acquisitions are fully integrated with accounts payable via a more robust use of commodity codes. Functionality includes: automated depreciation, improved audit trails, enhanced construction in process accounting and linkage between all payments, partial or full, and its capital assets.

MMARS provides a direct link between commodity-based purchases and the capital asset acquisition. A payment (PRC payment request document) in MMARS that references a capital asset sensitive commodity code and meets a certain dollar threshold automatically generates a pending capital asset shell to be completed by the department. In some instances, such as when a capital asset is received through a donation or for the optional recording of a non-GAAP capital asset, MMARS offers the opportunity to generate a capital asset manually. The table below notes the capital asset commodities and associated minimum capitalization thresholds where a capital asset shell will be automatically generated after a payment is processed in MMARS.

**Capital Asset Commodities & Minimum Capitalization Thresholds**

Commodity	Code	Minimum Capitalization
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		Threshold
Building	B	\$100,000
Equipment	E	\$50,000
Works of Art / Historical Treasures / Monuments	H	\$50,000
Infrastructure	I	\$100,000
Computer Software < \$1 million but > \$49,999	K	\$50,000
Land	L	\$0.00
Software > \$1 million	S	\$1,000,000
Vehicles	V	\$50,000

Departments that own capital assets are responsible for recording all acquisitions, betterments, changes, transfers, and dispositions for GAAP capital assets and for a physical inventory of non-GAAP capital assets. Please refer to the [Capital Asset Policy page](#) of the CTR Web Portal for additional information.

- Departments should process all FA documents within seven days of the acquisition of the asset or FA “Shell” generation. In addition, departments are required to process any subsequent capital asset related documents (FC, FD, FI or FM) in a timely manner. **All capital asset transactions must be done in MMARS by July 13, 2012. Any accounts payable activity relating to FY2012 acquisitions after July 13, 2012 should be processed in Period 13 FY 2012.**
- The FC/FI documents require a CTR Work list approval. Copies of the FI/ FCs “Accounting Section” should be forwarded to Trish McKenna who can be reached at 617 973- 2425. Supporting documentation must be submitted with any FI / FC.
- Non-GAAP capital assets must be inventoried and controlled in accordance with the policy posted in the Policies/Procedures section.

In order to meet the inventory controls and reporting guidelines, CTR conducts a mid-year and an annual capital asset inventory review. Departmental capital asset inventory reports are available on DocDirect at each month’s end. Departments will need to complete and certify their inventory utilizing the Confirmation form posted on PartnerNet. Details of the annual review will be forthcoming in mid-June via a Comptroller’s Fiscal Year 2012 Policy Memo. Certification of capital assets inventory will be due **July 27, 2012**.

The following reports have been added to the list of capital asset reports and are available to departments on Document Direct.

#### List of Current Fiscal Year Capital asset Reports

NGA155SD	Departmental Current GAAP (Non-Memo) and Non-GAAP (Memo) Assets Summary -
<b>NGA155SG</b>	Current Active GAAP (Non-Memo) Capital Asset Inventory by Department, Unit, and Asset Type <b>Key report for completion of your inventory review</b>
NGA155SN	Current Active Non-GAAP (Memo) Asset Inventory by Department, Unit, and Asset Type
NGA155SS	Statewide Current GAAP (Non-Memo) and Non-GAAP (Memo) Assets Summary
NGA156SA	Statewide Disposed GAAP (Non-memo) and Non-GAAP (Memo) Assets Summary
NGA156SD	Disposed GAAP and Non-GAAP Capital Asset Inventory by Department, Unit, and Asset Type
NGA156SS	Departmental Disposed GAAP (Non-Memo) and Non-GAAP (Memo) Asset Summary

## Special Higher Education Reporting

### Statutory Basis

In FY2012, MMARS detail by Institution for non-appropriated funds will again be included in the Commonwealth's Statutory Basis Financial Report (SBFR).

To meet the publication deadline of October 31<sup>st</sup> for the SBFR, institutions must:

- Complete the MMARS posting of FY2012 statutory basis non-appropriated receipts and disbursements by the end of July. After the close of period 12, special coordination with CTR will be required. Departments should enter a document, coded with Accounting Period 13, 2012; then contact CTR for final processing.
- For Fund 0901, provide supplemental information for statutory accounts payable by August 6, 2012.

By August 29<sup>th</sup> all FY2012 Higher Education activity through June 30, 2012 should be posted to MMARS. By September 4<sup>th</sup>, review MMARS BQ82 Table (Revenue) and BQ89 Table (Expenditures) to identify all revenues and expenditures in Funds 0900 and 0901. (See the web-based Higher Education Guidance for further information.) This will provide the basis for final reconciliation between MMARS non-appropriated information and each institution's internal system. The due date for final reconciliation is September 7, 2012.

### Delivery of Information

All institutions will issue FY2012 audited financial statements in accordance with AICPA-GAAP. These audited financial statements must be issued and received by the Comptroller's Office by October 15, 2012, with an unqualified opinion.

Along with the audited financial statements, the institution will submit:

- Capital asset information and operating and capital lease information. This information will be disclosed in the notes to the audited financial statements of the institution. Due October 15<sup>th</sup>.
- Federal student loans schedules and the guaranteed student loan schedule. Due October 15<sup>th</sup>.
- ARRA funds report per the Comptroller's guidelines.

The institution must meet the MMARS statutory financial reporting requirement with a separate analysis related to the *Schedule of Federal Financial Assistance*. The reconciliation must be reviewed by the institution's independent auditors and noted in the footnotes to the financial statements. The FY2012 web-based Higher Education Guidance will be issued by the Comptroller's Office by June 15, 2012.

### Schedule of Key Dates – Higher Education

Date	Event
June 15, 2012	Web-based Higher Education Guidance Available
August 6, 2012	Higher Education Statutory Accounts Payable (Fund 0901)
August 6, 2012	Fringe Reimbursement Information and Federal Receivable (UMS only)
August 29, 2012	Complete posting Higher Education activity on MMARS
August 31, 2012	FY2012 Encumbrance Lapsing
September 4, 2012	Review Preliminary Revenue and Expenditures Tables
September 7, 2012	Completion of FY2012 Higher Education activity through June 30
September 15, 2012	Review Final Revenue and Expenditures Tables
October 15, 2012	Higher Education Audited Financials and related Excel worksheets Due

### New GASB Statements

The Government Accounting Standards Board (GASB) has not released any new Statements affecting department's reporting.

### Generally Accepted Accounting Principles (GAAP)

GAAP reporting and Higher Education special reporting occurs at the end of the fiscal year. There are no special opening requirements.